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18 APRIL 1989



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# ***JPRS Report***

# **China**

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# China

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## CONTENTS

18 APRIL 1989

### POLITICAL

Administrative Changes Above County Level [FAZHI RIBAO 9 Jan] ..... 1

### ECONOMIC

#### NATIONAL AFFAIRS, POLICY

Economists Urge Reforming Unsuitable Structure [SHIJIE JINGJI DAOBAO 6 Mar] ..... 6  
On Changing Orientation of Development Strategy [JINGJIXUE ZHOUBAO 5 Mar] ..... 6  
Privatization as Reform Option [SHIJIE JINGJI DAOBAO 6 Feb] ..... 10  
Enterprise Vitality Seen as Key to Market Reform [JINGJI RIBAO 14 Mar] ..... 15

#### PROVINCIAL

Yunnan Governor Complains About West China Development Policies  
[ZHONGGUO TONGXUN SHE] ..... 17

#### FINANCE, BANKING

Beijing Stock Exchange To Have 'Chinese Characteristics' [CHINA DAILY 20 Mar] ..... 18  
Economist Calls for Tightened Money Supply [XINHUA] ..... 18

#### INDUSTRY

Textile Industry Strives To Increase Domestic Wool Supply [XINHUA] ..... 19  
Industrial Spoilage Costs Nation 18 Billion Yuan Annually [ZHONGGUO TONGXUN SHE] ..... 19  
Value of Industrial Output as of Feb 89 [CEI Database 24 Mar] ..... 20  
Output of Major Industrial Products, Jan 89 [CEI Database 21 Mar] ..... 20  
Textile Output for Jan, Feb 89 [CEI Database 24 Mar] ..... 22

#### SMALL-SCALE ENTERPRISES

Private Economy Statistics Released [CEI Database 24 Mar] ..... 22  
Work Conditions in Private Business Frequently Poor [XINHUA] ..... 23

#### CONSTRUCTION

New Housing Technology for Zinghai-Tibet Plateau [XINHUA] ..... 23

#### FOREIGN TRADE, INVESTMENT

Prospects for Foreign-Funded Firms [JINGJI RIBAO 21 Mar] ..... 23  
Foreign-Funded Enterprises Continue To Increase [CHINA DAILY 24 Mar] ..... 25  
Timber Imports To Be Cut [XINHUA] ..... 26  
Continued Decline in Steel Imports Expected [CHINA DAILY 20 Mar] ..... 26  
Auto Parts Exports Up [XINHUA] ..... 27  
Over 60 Percent of Foreign-Invested Enterprises in Guangdong [NANFANG RIBAO 16 Mar] ..... 27  
Inner Mongolia Continues To Expand Export Earnings [GUOJI SHANGBAO 3 Mar] ..... 27  
Xerox of Shanghai Starts Production [CEI Database 17 Mar] ..... 28  
Foreign Exchange Management Increases Xinjiang's Currency Revenue  
[XINJIANG RIBAO 15 Feb] ..... 28

## LABOR

|  |                      |    |
|--|----------------------|----|
| Trade Unions Urge 'Fair Treatment' for Women | [CHINA DAILY 18 Mar] | 29 |
|--|----------------------|----|

## POPULATION

|   |          |    |
|---|----------|----|
| Birth Rates Differ in Rural, Urban Areas  | [XINHUA] | 29 |
| Couples Receive Single-Child Certificates | [XINHUA] | 29 |

## TRANSPORTATION

|  |          |    |
|--|----------|----|
| Modernization of Container Ship Transport System | [XINHUA] | 30 |
|--|----------|----|

## AGRICULTURE

|   |                         |    |
|---|-------------------------|----|
| State Council Sets Up Agricultural Production Office  | [Beijing Radio]         | 30 |
| Paper Calls for More Grain Production                 | [XINHUA]                | 30 |
| Management of Irrigation Projects To Improve          | [XINHUA]                | 31 |
| Chemical Fertilizer Production To Be Increased        | [Beijing Radio]         | 31 |
| Rubber Industry Needs Capital for Investment          | [XINHUA]                | 31 |
| National Tobacco Area                                 | [JINGJI RIBAO 1 Apr]    | 32 |
| Anhui Cotton Area                                     | [ANHUI RIBAO 9 Mar]     | 32 |
| Rice Becomes Heilongjiang's Major Food Staple         | [XINHUA]                | 32 |
| Dairy Production Increases in Heilongjiang            | [XINHUA]                | 32 |
| Tianjin Mayor on Coordinating Farming, Rural Industry | [XINHUA]                | 33 |
| Zhejiang Land Management Regulations                  | [ZHEJIANG RIBAO 15 Mar] | 33 |

## REGIONAL

### CENTRAL-SOUTH REGION

|  |          |    |
|--|----------|----|
| Guangdong Cracks Down on Economic Crime                      | [XINHUA] | 42 |
| Guangzhou Plans Civic Improvements for 1989                  | [XINHUA] | 42 |
| Move To Fight Influence of Pornography on Guangzhou Students | [XINHUA] | 42 |
| Guangdong Officials 'Alarmed' by Increase in Bigamy          | [XINHUA] | 43 |
| Hainan in Process of Drafting Laws                           | [XINHUA] | 43 |

### NORTHEAST REGION

|   |                            |    |
|---|----------------------------|----|
| Liaoning Policemen Do Good Deeds 'To Learn From Lei Feng' | [RENMIN GONGAN BAO 10 Mar] | 43 |
|---|----------------------------|----|

## PRC MEDIA ON TAIWAN AFFAIRS

|   |          |    |
|---|----------|----|
| State Council Official Fetes Taiwan Reporters | [XINHUA] | 44 |
|---|----------|----|

**Administrative Changes Above County Level**  
40050293a Beijing FAZHI RIBAO in Chinese  
9 Jan 89 p 2

[Article by Ministry of Civil Affairs: "Nationwide Changes in Administrative Divisions Above the County Level for 1988"]

[Text]

**1. Category Changes**

(1) Establishment of Hainan Province approved, and Hainan Administrative Division abolished. Hainan Provincial People's Government located at Haikou City. Province has three cities, nine counties, and seven autonomous counties. (Approved by the First Session of the Seventh NPC on 13 April 1988).

(2) Establishment of 53 new cities approved (including five prefecture level cities, and 48 county level cities, the names of which are provided below.)

(3) Six prefectures abolished, namely Langfang, Anqing, Changde, Zhaoqing, Huiyang, and Meixian in the implementation of a county system under municipal leadership.

Two prefectures established, namely Chizhou, and Qianjiang.

(4) Eight cities upgraded, including Zhongshan, Dongguan, Dayong, Langfang, Changde, Huizhou, Meizhou, and Zhaoqing.

(5) Two autonomous counties established, namely the Yitong-Man Autonomous County, and the Mayang-Miao Autonomous County.

(6) Two government locations changed in Jianyang Prefecture, and in Nanhai County.

(7) Three names changed, one for a prefecture, and two for suburban districts.

(8) Eighteen districts under municipal jurisdiction established, and six abolished.

(9) County level units increased by one; prefecture level units decreased by five; counties decreased by 50; cities increased by 53; and 12 districts under municipal jurisdiction added.

**Statistical Table of Administrative Districts in the People's Republic of China, 1988**

| Provincial Level |                                | Local Level |                           | County Level |                                      | City  |             | District Under City |     |
|------------------|--------------------------------|-------------|---------------------------|--------------|--------------------------------------|-------|-------------|---------------------|-----|
| Total            | Administrative Units           | Total       | Administrative Units      | Total        | Administrative Units                 | Total | Local Level | County Level        |     |
|                  |                                |             |                           |              | 1765 counties                        |       |             |                     |     |
|                  | 3 Directly Administered Cities |             | 113 Localities            |              | 112 Autonomous Counties              |       |             |                     |     |
|                  |                                |             |                           |              | 51 Banners                           |       |             |                     |     |
| 31               | 23 Provinces                   | 151         | 30 Autonomous Prefectures | 1936         | 3 Autonomous Banners                 | 431   | 183         | 248                 | 644 |
|                  |                                |             |                           |              | 3 Special Regions                    |       |             |                     |     |
|                  | 5 Autonomous Regions           |             | 8 Leagues                 |              | 1 Industrial and Agricultural Region |       |             |                     |     |
|                  |                                |             |                           |              | 1 Forest Region                      |       |             |                     |     |

**List of Cities Newly Approved for Establishment in 1988**

**Hebei:** Wuan City **Shanxi:** Gujiao City, Shuojiao City (Prefecture) **Liaoning:** Kaiyuan City **Jilin:** Ji'an City, Huadian City, Longjing City, Huichun City, Jiutai City, Daan City **Heilongjiang:** Fujin City, Tieli City, Shangzhi City, Shuangcheng City, Mishan City **Jiangsu:** Yixing City **Zhejiang:** Yiwu City, Dongyang City, Cixi City, Fenghua City **Anhui:** Guichi City **Fujian:** Ningde City **Jiangxi:** Zhangshu City (Qingjiang County), and Fengcheng City **Shandong:** Laizhou City (Ye County), Tengzhou City, Leling City, Wendeng City, and Rongcheng City **Henan:** Ruzhou City (Linru County), Jiyuan City, Yuzhou City, Weihui City (Ji County), Huixian City, and Dengzhou City **Hunan:** Yuanjiang City **Guangdong:** Shanwei City (Prefecture), Heyuan City (Prefecture), Yangjiang City (Prefecture), and Qingyuan City (Prefecture) **Guangxi:** Guigang City **Sichuan:** Guanghan City, Jiangyou City, Dujiangyan City (Guan County), Emeishan City (Emei County) **Shaanxi:** Yulin City, Ankang City, Shangzhou City **Qinghai:** Delingha City

**2. Province-by-Province Changes**

**Hebei Province**

- (1) Langfang Prefecture and Langfang City abolished. Langfang City reconstituted (prefecture level).
- (2) Anci District of Langfang City established.
- (3) Sanhe, Gu'an, Yongqing, Xianghe, Dacheng, Wenan, Baxian, and Dachang-Hui Autonomous County put under jurisdiction of Langfang City.
- (4) Wuan County abolished and Wuan City (county level) established.
- (5) Xingtai suburb abolished, and its administrative district divided between Qiaodong District and Qiaoxi District.

**Shanxi Province**

- (1) Gujiao industrial and mining area of Taiyuan City abolished, and Gujiao City established (county level).
- (2) Shuo County and Pinglu County abolished; Shuozhou City (prefecture level) and Shucheng Prefecture, Pinglu Prefecture, and Shuozhou city as administrative seat for Shuocheng Prefecture established.
- (3) Shanyin County in Yanbei Prefecture put under jurisdiction of Shuozhou City.

**Liaoning Province**

- (1) Fushun City suburbs name changed to Shuncheng District.

- (2) Kaiyuan County abolished, and Kaiyuan City (county level) established.

**Jilin Province**

- (1) Ji'an County abolished, and Ji'an City (county level)
- (2) Huadian County abolished, and Huadian City (county level) established.
- (3) Longjing County abolished, and Longjing City (county level) established.
- (4) Huichun County abolished, and Huichun City (county level) established.
- (5) Jiutai County abolished and Jiutai City (county level) established.
- (6) Daan County abolished and Daan City (county level) established.
- (7) Yitong County abolished, and Yitong-Man Autonomous County established.

**Heilongjiang Province**

- (1) Fujin County abolished and Fujin City (county level) established.
- (2) Tieli County abolished, and Tieli City (county level) established.
- (3) Shangzhi County abolished, and Shangzhi City (county level) established.
- (4) Shuangcheng County abolished, and Shuangcheng City (county level) established.
- (5) Mishan County abolished, and Mishan City (county level) established.
- (6) Meilisi District of Qiqihar City revived as Meisi-Daur Region.

**Shanghai Municipality**

Baoshan County and Wusong District abolished, and Baoshan District established.

**Jiangsu Province**

Yixing County abolished and Yixing City (county level) established.

**Zhejiang Province**

- (1) Yiwu County abolished and Yiwu City (county level) established
- (2) Dongyang County abolished and Dongyang City (county level) established.

(3) Ciji County abolished and Ciji City (county level) established.

(4) Fenghua County abolished and Fenghua City established (county level).

(5) Huzhou City proper and suburbs abolished.

#### Anhui Province

(1) Anqing Prefecture and Anqing City abolished in the merger of the prefecture with the city. The newly founded Anqing City has eight counties under its jurisdiction, namely Tongcheng, Huaining, Congyang, Qianshan, Taihu, Susong, Wangjiang, and Yuexi.

(2) Yezhou County abolished and Guichi City established (county level).

(3) Yezhou Prefecture established and Guichi City as well as Dongzhi and Shitai counties from the former Anqing Prefecture plus Qingyang County (including the Jihua Shan scenic area) placed under its jurisdiction. Prefecture government offices located in Guichi City.

#### Fujian Province

(1) Ningde County abolished and Ningde City (county level) established.

(2) Jianyang Prefecture seat moved from Jianyang County to Nanping City. Jianyang Prefecture's name changed to Nanping Prefecture.

#### Jiangxi Province

(1) Fengcheng County abolished and Fengcheng City (county level) established.

(2) Qingjiang County abolished and Zhangshu City (county level) established.

(3) Jiaotan and Ehu districts of Jingdezhen City abolished and Fuliang County revived.

#### Shandong Province

(1) Ye County abolished and Laizhou City (county level) established.

(2) Teng County abolished and Tengzhou City (county level) established.

(3) Leling County abolished and Leling City (county level) established.

(4) Wendeng County abolished, and Wendeng City (county level) established.

(5) Rongcheng County abolished and Rongcheng City (county level) established.

(6) Laoshan County abolished and Laoshan District of Qingdao City established.

#### Henan Province

(1) Linru County abolished and Ruzhou City (county level) established.

(2) Jiyuan County abolished and Jiyuan City (county level) established.

(3) Yu County abolished and Yuzhou City (county level) established.

(4) Ji County abolished and Weihui City (county level) established.

(5) Hui County abolished and Huixian City (county level) established.

(6) Deng County abolished and Dengzhou City (county level) established.

#### Hubei Province

(1) Zaoyang County abolished and Zaoyang City (county level) established

(2) Qianjiang County abolished and Qianjiang City (county level) established.

(3) Yingshan County abolished, and Guangshui City (county level) established.

(4) Dangyang County abolished and Dangyang City (county level) established.

#### Hunan Province

(1) Changde Prefecture and Changde County abolished, and Changde City made a prefecture level city.

(2) Wuling and Dingcheng districts established in Changde City.

(3) Changde City exercises jurisdiction over Yaoyuan, Shimen, Lixian, Hanshou, Cili, Linli, and Anxiang counties.

(4) Jinshi City placed under direct jurisdiction of the province.

(5) Dayong City made a prefecture level city. Cili County in Changde City, and Sangzhi County in the Tujia-Miao Autonomous Zhou of western Hunan Province placed under jurisdiction of Dayong City.

(6) Yongding and Wulingyuan districts established in Dayong City.

(7) Yuanjiang County abolished and Yuanjiang City (county level) established.

(8) Mayang County abolished and Mayang-Miao Autonomous County established.

(9) Dagan Township, Jiepai-Yao Township and Qiaotoupu Town placed under jurisdiction of Jianghua-Yao Autonomous County.

#### Guangdong

(1) Zhaoqing Prefecture abolished, and Zhaoqing City elevated to the status of a prefecture level city; Duanzhou and Dinghu districts placed under Zhaoqing City jurisdiction. Gaoyao, Sihui, Guangning, Huaiji, Fengkai, Deqing, Yunfu, Xinxing, Yunan, and Luoding counties from the former Zhanjiang Prefecture placed under Zhaoqing City jurisdiction.

(2) Huiyang Prefecture abolished and Huizhou City elevated to the status of a prefecture level city. Huicheng District established in Huizhou City. Huiyang, Boluo, and Huidong counties from the former Huiyang Prefecture, as well as Longmen County from Guangzhou City placed under jurisdiction of Huizhou City.

(3) Meixian Prefecture and Meixian City abolished, and Meixian, Meizhou City (prefecture level), and Meijiang District in Meizhou City established. The twenty-seven township and town administrative district that included Songkou in the former Meixian City becomes a Meixian administrative district. Meixian County seat located in Fuda. Xingning, Wuhua, Fengshun, Dapu, Pingyuan, and Jiaoling counties from Meixian and the former Meixian Prefecture placed under Meizhou City jurisdiction.

(4) Luhe County established. The eight townships and towns of Hetian, Hekou, Xintian, Shanghu, Shuichun, Luoxi, Dongkeng, and Nanwan, as well as the Jixi Forestry Center become an administrative district of Luhe County. Luhe County seat located in Hetian Town.

(5) Shanwei City (prefecture level), and Shanwei Municipal District established, and the Haifeng County administrative district made up of the towns of Shanwei, Tianqian, Zhelang, Dongyong, Jiesheng, Hongcao, and Magong becomes an administrative district of Shanwei City. The Shanwei City administrative seat is located in the former Shanwei Town. Luhe County as well as Haifeng County and Lufeng County in the former Huiyang Prefecture placed under jurisdiction of Shanwei City.

(6) Heyuan County abolished, and Heyuan City (prefecture level) and the Yuanchen and Heyuan City suburban districts established. Heyuan City's administrative offices located at Dongpu Town. Zijin, Lianping, Heping, and Longzhou counties from Huiyang Prefecture places under jurisdiction of Heyuan City.

(7) Yangjiang County abolished, and Yangxi County, Yangjiang City (prefecture level), as well as Jiangcheng and Yangdong districts of Yangjiang City established. The nine townships and towns of Zhidong, Chengcun, Shangyang, Rudong, Xitou, Shaba, Tangkou, Xinyu, and Pupai from the former Yangjiang County have become an administrative district of Yangxi County. The Yangxi County county seat is located in Zhigong Town. Remaining portions of the former Yangjiang County have become an administrative district of Yangjiang City. Yangjiang City's administrative offices are located in the former Jiangcheng Town. Yangxi County and Yangchun County in Jiangmen City have been placed under Yangjiang City jurisdiction.

(8) Qingyuan County abolished, and Qingyuan City (prefecture level) plus Qingcheng and Qingxiao districts of Qingyuan City established. Qingyuan City administrative offices located in the former Qingcheng Town. Fogang County in Guangzhou City, and the five counties of Yingde, Yangshan, Lianxian, Lianshan, and Liannan in Shaoguan City placed under jurisdiction of Qingyuan City.

(9) The two county level cities of Dongguan and Zhongshan elevated to prefecture level.

(10) Xinfeng County in Guangzhou City placed under Shaoguan City jurisdiction.

(11) County seat of Nanhai County moved from Foshan City to Guicheng Town.

#### Guangxi-Zhuang Autonomous Region

Gui County abolished and Guigang City (county level) established.

#### Sichuan Province

(1) Guanghan County abolished and Guanghan City (county level) established.

(2) Jiangyou County abolished and Jiangyou City (county level) established.

(3) Guan County abolished and Dujiangyan City (county level) established.

(4) Emei County abolished and Emeishan City (county level) established.

(5) Qianjiang Prefecture established. Shizhu-Tujia Autonomous County, Xiushan, Qianjiang, Xiyang-Tujia-Miao Autonomous County, and Pengshui-Miao-Tujia Autonomous County removed from Fuling Prefecture in the separate establishment of Qianjiang Prefecture. Qianjiang Prefecture administrative offices located in Lianhe Town in Qianjiang-Tujia-Miao Autonomous County.

**Shaanxi Province**

(1) Yulin County abolished and Yulin City (county level) established.

(2) Ankang County abolished, and Ankang City (county level) established.

(3) Shang County abolished, and Shangzhou City (county level) established.

**Qinghai Province**

Delingha City established. Delingha Town and Huaitoudala, Gebi, Guolimu, Zongwulong, and Xuji townships in Ulan County form the Delingha City Administrative District.



## NATIONAL AFFAIRS, POLICY

### **Economists Urge Reforming Unsuitable Structure**

HK1703131289 Shanghai SHIJIE JINGJI DAobao  
in Chinese 6 Mar 89

["Letter From Beijing" by Staff Reporter Zhang Weiguo 1728 0251 0948: "Several Economists in Beijing Jointly Proposed to the Supreme Leadership That Reform be Pressed Ahead in the Market Orientation"]

[Text] Now different people hold different views on how to appraise and judge the macroeconomic situation in China. During the period before the Spring Festival, analysts here had this to say: If the situation in 1988 was described as "grave," then 1989 should be described as "dangerous." As revealed by the relevant department recently, toward the end of last year the money injected into circulation by the People's Bank on each work day far exceeded the amount planned, and this caused much worry to the policymakers. Early this year the amount of money recovered from circulation also went far beyond the original plan. Was this good or bad?

Not long ago, the supreme leadership solicited opinions from some economists on policymaking. They made the following common suggestions: First, efforts should be made to introduce retrenchment; second, the economic structure should be optimized in the course of retrenchment; third, systems unsuitable for structural optimization should be reformed and adjusted; and fourth, it is necessary to press ahead with reform in the market orientation. We should soberly judge the situation. The excessive money injected into circulation last year is bound to cause us trouble in the future. The money injected early this year exceeded over half the annual plan. Effective supply has been injured in the sinews. A sample survey indicates that 75 percent of the projects that have been retrenched over the last half year were state key projects. Although January witnessed an economic growth rate of 8.2 percent, state enterprises with good economic results only registered an increase of 3.7 percent whereas township and town enterprises could still maintain an increase of 25 percent. The targets set for an industrial structural adjustment and for optimizing the distribution of resources were far from being fulfilled, the deep-rooted cause of inflation still remained, there were more slow-selling processed products, and the tight situation in energy, raw materials, and communications worsened. Attempts to control the general price level by freezing the relevant prices under the above circumstances have either failed or been unable to produce lasting effects. This has been proved by many countries.

Today there is no way out for China's reform to retreat; it must continue to proceed in the market orientation and toward the commodity economy. This will be an inevitable outcome of developing the productive forces according to economic rules. But due to ideological obstacles in real life, it is very difficult for us to make this

first step. How difficult it would be for an athlete who is tied hand and foot to take part in a world sports race and turn out to be a champion! Some people said with a deep sigh that although they had worked out almost the world's greatest targets, their most effective ways and methods to fulfill these targets were given all kinds of incomprehensible restrictions. To remove these restrictions, it is necessary to establish the productive forces criterion so that it takes root in the people's hearts. This is very difficult to accomplish. Open debate over neo-authoritarianism and the discussion on how to control inflation have recently become two hot issues in theoretical circles. No matter what their understanding, a consensus has been reached as follows: The existing structure must be reformed with great determination and the productive forces criterion must be thoroughly put into effect so as to remove the rigid, leftist ideological influence. Otherwise all that has been achieved in reform will be spoiled.

### **On Changing Orientation of Development Strategy**

HK2303003989 Beijing JINGJIXUE ZHOUBAO  
in Chinese 5 Mar 89 p 2

[Article by Staff Reporter Guo Yanchun 6753 5333 2504: "Is China's Traditional Development Strategy Still Applicable?—An Interview With Lin Yifu 2651 3015 1133, deputy director of the Development Institute under the Rural Development Research Center of the State Council—With Accompanying Brief Biography of Lin Yifu"]

### **[Text] Root-Seeking**

**The capital-intensive heavy industrial development strategy defined right after the founding of the PRC and the corresponding policy of low interest rates, low foreign exchange rates, low wages, and of low prices for raw and semifinished materials, agricultural products, other daily necessities, and labor services, are the fundamental reasons for our country's outstanding economic backwardness.**

- The dynamic contract system, currently a fad throughout the nation, has led to a situation in which enterprises operate on a short-term basis and there is an enterprise-driven overexpansion in consumption funds because it lacks indefiniteness and thoroughness.
- The introduction of contracting methods in financial and foreign exchange affairs among local authorities has led to local panic-buying wars, economic blockades, and local drastic, inflated capital construction investment, thus checking the growth of the market and worsening the environment for reform.
- Price reform with the double-track system at the core has created opportunities for both bureaucrats and private racketeers to exploit in their favor, making

rent-seeking [xin zu 1416 4436] behavior more visible and corrupting social values. The readjustment of some prices has resulted in a price spiral and consequently, the situation of the production of either goods whose supply exceeds demand or goods whose demand exceeds supply remains the same. The surging tide of reform characterized by delegation of power and revenue concessions by the central authorities has met with obstruction.

Reform has been landed in a predicament.

Why has urban economic reform failed to come out of the strange circle of "decentralization brings about flexibility, which in turn causes disorder, and disorder calls for tightening up, which in turn causes rigidity?" This reporter learned from Lin Yifu, who has made a thorough study and has a relatively mature understanding of the issue, about a clear, incisive but not excessively abstruse idea.

Having finished listening to the questions raised by this reporter, Li Yifu said, "To gain a clear understanding of why a situation emerged in which 'decentralization brings about flexibility, which in turn causes disorder' in our country's reform, among other things, we should review the history of how our country's traditional economic development strategy took shape and the macroeconomic policy environment and management structure required by the strategy."

He said, "Our existing macroeconomic policy environment was gradually formed during the First 5-Year Plan and it fell into a pattern on the whole during the Second 5-Year Plan. The economic development strategy that we established at that time was a capital-intensive strategy that gave priority to the development of heavy industry. We chose such a development strategy in part because we were influenced by the Soviet model and in part because our country had no heavy industrial foundation at all to speak of. To strike back at the economic blockade imposed on us by Western countries and establish an independent and complete industrial system at an early date, we were compelled to adopt such a strategy.

In the then situation in which capital was extremely scarce, to develop capital-intensive industries rapidly, there should have been a macroeconomic policy environment commensurate with such a strategy as a guarantee, which Li Yifu summarized into a macroeconomic policy environment characterized by low interest rates, low exchange rates, low wages, low prices for raw and semifinished materials, low prices for agricultural products, and distorted prices for daily necessities and labor services.

—Low interest rates: In the early stage of economic development where capital was scarce, to safeguard the capital-intensive strategy of giving priority to the development of heavy industry, it was necessary to

pursue a low interest rate policy to artificially lower the use value of capital and to move the starting line for heavy industrial development down to a lower level.

—Low exchange rates: When foreign exchange is scarce, to ensure the import of capital-intensive technology and equipment, the government should appreciate the country's currency and pursue a low-exchange-rate policy.

—Low wages and low prices for raw and semifinished materials: To raise the rate of accumulation, it is necessary to force down the price of inputs in heavy industry or to pursue a policy of low wages and low prices for raw and semifinished materials.

—Low prices for agricultural products and other daily necessities as well as labor services. Low wages determine the residents' ability to spend. Therefore, the prices of numerous products and labor services are artificially forced down, including food, housing, medical care, and education.

According to Lin Yifu, the result of this policy environment is a serious imbalance in the supply and demand of funds, foreign exchange, raw and semifinished materials, farm and sideline products, and daily necessities and universal shortages in economic life. To ensure the normal operation of this shortage economy, the government has to establish a corresponding economic management structure, namely, a highly concentrated planning management structure; a state-owned enterprise management structure under which all revenues and expenditures are handled by the state in a unified way; and a management structure under which farm produce as well as goods and materials are purchased and marketed by the state in a unified way.

Li Yifu pointed out: It was precisely this macroeconomic policy environment commensurate with the endeavor to give priority to the development of capital-intensive heavy industry and its corresponding management structure that caused a series of grave consequences. In macroeconomic terms, because such essential factors as funds, foreign exchange, labor force, and raw and semifinished materials and product prices are distorted as a result of policy implementation, prices have become useless in disposing of resources. In microeconomic terms, because the market cannot bring its role into full play, an official's will and bargaining have become the substitute for distributing resources in a macroeconomic way. This rent-seeking behavior has led to a waste in social resources. As competition mechanisms are inadequate, departments and enterprises lack enthusiasm for blazing new trails and improving production and product quality. Most importantly, this is the root of the failure of reform over the last decade, to move away from the framework of "decentralization brings about flexibility, which in turn causes disorder."

#### Rethinking

The basic cause of our country's economic reforms 10 years ago was that the entire economic operation mechanism lacked dynamic force and efficiency as the result of the macroeconomic policy environment formed under the

traditional development strategy that gave priority to the development of heavy industry; and the basic reason reform failed to extricate itself from the predicament over the last 10 years is that the macroeconomic policy environment left from the past development strategy has not been thoroughly changed.

In analyzing the causes of the predicament of reform, some people approached the issue from the angle of history and culture and others attributed the problem to the social system. Li Yufu has a view of his own. He pointed out in a clear-cut manner: The basic reason for the predicament is the macroeconomic policy environment which took shape under the traditional development strategy that gave priority to the development of heavy industry.

Lin Yifu said: Although we were once aware of the harm brought to us by the development strategy, it seemed that our ability was not equal to our ambition to make readjustments. The result of the policy of "taking agriculture as the foundation and industry as the leading factor" put forth in the early 1960's was that the leading position of industry was strengthened but the position of agriculture as the foundation was not established.

How has the political environment and economic management system of the traditional development strategy hindered the development of reform? He said: Like the several readjustments we made in the past, the reform over the last decade is only aimed at reforming the existing economic management system rather than changing the existing macroeconomic policy environment. Fundamentally speaking, this made it impossible for the reform to succeed. Li Yifu pointed out: A particular economic management structure is designed in the light of a given macroeconomic policy environment. If the economic management structure is changed while the macroeconomic policy environment is not adjusted, this means putting the cart before the horse. Let us review his detailed analysis:

1. As a consequence of relaxing restrictions on the planned control over credits and not on interest rates, the gap between funds available for loan use and loan demands was filled in by issuing more currency. This will inevitably lead to a runaway increase in the aggregate volume of currency in circulation.
2. Controls over foreign exchange are relaxed and localities and enterprises are allowed to retain foreign exchange proportionally while the low exchange rate policy is not changed. This has caused an uncontrollable growth in the import sector and a reduction in the export of goods by enterprises, aggravating the contradiction between foreign exchange supply and demand.
3. That the control, through unified purchases, of some farm and sideline products as well as daily necessities is relaxed but the restrictions are not lifted on city dwellers' wages, has given rise to a price spiral and increased state financial subsidies.

4. Enterprise microeconomic management mechanisms are reformed but the policy environment of the traditional development strategy remains untouched. As a result, the profits of enterprises have been eaten up by wages and bonuses in large quantities, causing inflated consumption funds.

#### Choices

**Adopt a strategy of making full use of superiority in comparative resources and bring our country's rich labor resources into full play to achieve a rapid transition from being relatively abundant in labor to being relatively plentiful in funds.**

Our reform has met with various obstacles brought about by the traditional development strategy. Where does our way out lie then?

Having set his eyes on the world and studied through comparison, Li Yifu has a clear line of thinking.

He said: So long as a country, no matter what nature its society is, adopts the strategy of giving priority to the development of heavy industry, its policy environment and economic management system will be roughly the same as our country's and the problems encountered strikingly similar. On the contrary, the countries and regions which have had economic development success have all adopted a strategy of making full use of their strong points in comparative resources.

Under the development strategy of giving priority to the development of heavy industry, our country has developed capital-intensive industries when capital was considerably scarce rather than fully utilizing its strong point in resources.

Lin Yifu briefed us on the basic idea of the strategy of making full use of superiority in comparative resources. At the early stage of its economic development, a country or region has abundant land and labor but it lacks capital. During this stage, developing labor-intensive or resource-intensive industries will help lower product costs, create more profits or earn more foreign exchange, and accelerate capital accumulation. It will also help achieve a quite rapid transition from being relatively abundant in labor to being relatively plentiful in funds and further, make more and more industries become capital-intensive. Under this comparative resource superiority strategy, industrial growth may be a bit slow in the short term but from a long-term point of view, as the entire economy develops quite rapidly, industry can again greater momentum though taking off later.

The economic development strategy designed to make full use of superiority in comparative resources requires a macroeconomic policy environment commensurate with it. Li Yifu contended: The policy environment includes such elements as interest rates that are allowed to float freely; the same thing goes for exchange rates;

wage fluctuations are decided by labor markets; and prices of raw and semifinished materials, farm and sideline products, and other products are decided by their supply and demand. The government should readjust its functions to manage affairs accordingly. 1) The government should work out market plans, adopt strict anti-monopoly measures using administrative and legal means, maintain the market order characterized by free competition so that market transactions can proceed quite steadily as expected; 2) it should regulate the operation of the economy and keep periodic economic fluctuations down using independent monetary and financial policies; and 3) it should directly invest in such areas as education, transport, energy, and scientific research.

To put it briefly, by implementing the strategy of making full use of the superiority in comparative resources and bringing our country's rich labor resources into full play, we can achieve a quiet rapid transition from being relatively abundant in labor to being relatively plentiful in funds.

### Steps

Be clear about the general goal of reform and its sub-goals at different stages and carry out partial reforms in selected areas.

Changing the economic development strategy that gives priority to the development of heavy industry to the one that makes full use of superiority in comparative resources is the basic goal of reform and reforming the macroeconomic policy environment and the economic management structure are the main contents of reform. What should we do in practice to attain these goals, especially at present when many people have a skeptical attitude to whether controls can be lifted over interest rates, exchange rates, wages, and prices?

Lin Yifu said: True, it will not do to loosen controls in an overall manner over interest rates, exchange rates, wages, and prices, but it is wise for us to work out partial reform propositions, with the focus centering on solving current urgent problems to create conditions for the reforms in the next step while forging ahead to the already set general goal. In his view, relaxing controls over interest rates or exchange rates is a comparatively easy and realistic reform proposition.

Once controls over interest rates are removed, this will benefit 1 billion depositors. The removal will directly result in an increase in effective money supply and a check on excessive money demand, thus solving the problem of inflation currently facing our country. With the growth and improvement of the money market, market interest rates will serve as a guide in the transition of the economic development strategy to a comparative superiority strategy. In the present situation in which funds are scarce, enterprises will economize the use of capital and make full use of rich labor resources.

When controls over exchange rates are removed at a single stroke, benefits obtained and losses incurred will be relatively small. As such, in exchange rate reform, we should adopt a tactic of accommodation, recognize the existing situation of vested interests, and introduce a method of contracting responsibility for a specified amount of foreign exchange among enterprises able to earn foreign exchange and enterprises using foreign exchange and at the same time, open foreign exchange adjustment markets. On the one hand, we should acknowledge that units using foreign exchange are entitled to continue to use their previous quotas, to own the saved portion, and to sell the surplus sum at market prices or to buy foreign exchange at market prices if they are short of it and on the other, the tasks of enterprises able to earn foreign exchange should be maintained. If they earn more foreign exchange, they are entitled to hold foreign exchange conversion certificates, which are negotiable on foreign exchange markets. This reform can play a role in forming foreign exchange market prices and reducing government foreign exchange subsidies.

In wage reform, at present we can adopt a two-link policy, that is, linking the wage fund growth rates of the employees of productive units with those of the net output value created by the enterprises and linking the wage fund growth rates of the employees of nonproductive units with those of financial revenues collected by the state. This policy will help both arouse employees' enthusiasm for production and check inflation, thus creating conditions for lifting controls over wages and opening labor markets.

The complete removal of controls over prices still needs a long period of time. The necessary conditions for relaxation of controls over prices are that: 1) price readjustments, price control relaxation, and price subsidies should be combined so that price parities will approach rational levels; 2) market monopoly should be smashed and free competition protected; and 3) a certain amount of foreign exchange reserves should be earmarked for a price reform risk stabilization fund.

Lin Yifu is one of the outstanding young economists who have come to the fore in our country in recent years. In the past year or so after he returned from abroad, he has made a lot of policy suggestions of great value for economic reform. His proposals on value-guaranteed savings deposits and value-guaranteed durable consumer goods deposited in banks have been adopted as two important policies to prevent panic buying and curb inflation. He and his colleagues Shen Minggao and Cai Ming studied together and wrote the lengthy thesis "Predicament and Choices—Economic Reform and the Development Strategy of Our Country." At the same time, he is an active player on the stage of international academic exchanges. His research work has won the close attention and support of some world-famous research establishments and foundations. The Rockefeller Foundation gave him a \$120,000 donation to support his study on the issue of rural economic development.

### Biographical Notes

Lin Yifu, male, aged 37, graduated from the Economics Department of Beijing University as a graduate student with a master's degree in economics. From 1982 to 1986, he went to the United States to continue pursuing advanced studies in the School of Economics at Chicago University. He specialized in development economics theory under the guidance of well-known Economist, Nobel laureate in economics, Professor Theodore Schultz and earned a doctor's degree in economics. During 1986 and 1987, he became a post-doctoral research fellow in the Economic Growth Center at Yale University. At the end of 1987, he returned home and became deputy director and associate research fellow of the Development Institute of the Rural Development Research Center of the State Council.

His main concurrent posts in society include member of the Seventh CPPCC National Committee, adviser to the World Bank, associate professor of Beijing University, and member of the International Agricultural Economic Association.

His main study fields include development economics, agricultural economics, international trade theory, and theory concerning system changes.

Editor in charge of this page: Liu Sen [0491 2773]

### Privatization as Reform Option

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[Article by Huang Youguang 7806 2589 0342 and Yang Xiaokai 2799 1420 0418, Monash University, Australia: "A Group Discussion on the Reform of the Ownership System—Why China Must Institute Privatization in One Resolute and Decisive Action"]

[Text] China's economic reform has achieved considerable successes in the countryside, but the structural reform in the cities has met with all kinds of difficulties. The present article analyzes the reasons why the reform ended up in these difficulties, discusses why privatization of state enterprises is the only way to complete success in the reform, gives an analytical account, criticizes any misgivings against privatization, and proposes that the pace of the privatizing reform must involve the preparations of a few years to be followed by one resolute and decisive action.

### I. Why Did the Urban Reform End Up in Difficulties

The seriousness of the present economic situation in China has many people afraid that social unrest may occur in China, similar to what happened in Yugoslavia. Directly responsible for touching off the present situation was the currency inflation brought about by the price reform and the reform involving the delegation of

powers and ceding of profits. But the fundamental cause for the chaotic situation was the failure to institute a system of private business operations based on private property.

There are possibly three types of currency inflation that may have a bearing on China's present condition:

1) A pure currency phenomenon. All prices (including wages) go up in the same measure as currency supply increases. According to the views of adherents of the quantity theory of money, this kind of currency inflation has no long-term adverse effect on the actual economic variables. According to the Keynesian school and the neoclassical school of reasonable expectations, if this kind of currency inflation is not expected by the public at large, it may still stimulate (at least for a short time) economic growth. China's present inflation is definitely not of this kind.

2) The relative prices (and also relative incomes) between sectors will go up and change following the general price level. In countries with free economies this may cause movements of personnel and resources between the different sectors, and thus restore equilibrium. A study by the State Restructuring of the Economic System Commission expressed the opinion that the rise in commodity prices is beneficial for the rural population, but detrimental for the urban population. They believe that a rise in peasant income caused a rise in peasant demand for agricultural products and thus reduced supplies destined for the cities, and that this had caused commodity prices to rise. This assumption conflicts with Engel's law. According to our computations, the flexibility quotient of foodstuff demand to income of the Chinese peasants since 1978 was about 0.8, but the flexibility quotient for the demand for industrial products was larger than 1. That means that after peasant income had risen, demand for industrial products was more rapid than the demand for agricultural products. It follows that the more rapid rise of rural incomes can only be explained by the fact that rural productivity was improving faster than urban productivity, but it cannot be explained by a structural change in the demand. Since the rural economy is mostly a quasi-private economy, but the urban economy predominantly a state-run economy, all that the study of the State Restructuring of the Economic System Commission can possibly say is that productivity in a private economy grows faster than in a state-run economy, and that this is the cause of changes in the relative incomes of different sectors. But the problem is that this change of relative incomes did not induce many people to change over from the state-owned to the private sector, although their insistence to remain in the state-owned sector will have them feel the pressure of reduced real incomes. According to the theory of reasonable expectations, people in the state-owned sector believe the government will not abandon the system of state-ownership, and are therefore in expectation of stable incomes although productivity in the state-owned economy is low. But in the private sector, future income

is possibly affected by the instability of private property, so that there is possibly a certain balance between income expectations in the Chinese private sector and those in the state-run sector, even though there may be an imbalance in the real incomes in the two sectors. The decline in real incomes due to inflation suffered by those employed in the state-run sector is, therefore, essentially a problem that arises from the incongruity of developments in the private sector with the maintenance of a system of state-ownership.

3) Growth rate of per capita income (or productivity) is negatively affected by currency inflation. In other words, without the rush of the price reform and the reforms involving delegation of powers and ceding profits, increases in per capita income and productivity could perhaps have been faster than by having had these reforms. The present "public resentment" in China confirms that the current inflation is of this kind. Why would the currency inflation due to price reform cause a decline in economic efficiency and in the income growth rate? The answer is not at all as complex as imagined. It is that without abandoning the system of state-ownership, without implementing a system of private business operations based on private property, price reform, and reforms involving delegation of powers and ceding of profits, or the contract system, will all do more harm than good.

The uncontrolled supply of currency to a large extent due to the delegation of powers and ceding of profits, whereby the central government lost control over the currency issue in form of loans; this is a so-called investment inflation. If the results of the investments are good, this kind of investment activity will mean that the economy will take off. The problem is only that most of these investments show bad results. The reason why results are bad is obviously that the investments are not private property, and that those who decide on the investments bear no true responsibility for the results.

Many Chinese have now appropriated for themselves the wisdom of Janos Kornai and like to talk about a shortage economy. However, shortage economy is a misguided concept. Every society has problems of shortages because people's desires are boundless. Resources are always short in relation to desires. The problem is how to effectively distribute sparse resources to achieve a maximal satisfaction of desires. In the free economy, the system of private property provides a foundation for free prices, and voluntary contracting and exchanging can effectively distribute resources. But in a system without private property, the pricing system cannot fully fulfill its function, and the distribution of resources is ineffective and the cause of low per capita incomes.

It is like a fruit tree that is not private property. Everybody will come to grab some of its fruit, and they will be gone even before they are completely ripe. If the fruit tree were private property, everybody would have to buy the fruit, and the owner would allow the fruit to grow

until they can be sold at maximum price. There are shortages in both situations of this example, since the fruit is always less than people want. But due to the difference in the ownership system, the people in the former case give vent to their desires in a disorderly way. There is no ethical guideline or orderliness of private property to organize the process of satisfying endless desires with sparse materials. That is why we have the phenomenon of people indiscriminately grabbing property. It is this phenomenon that appears to be the shortage economy of socialist countries described by Kornai. It is due to this kind of disorderliness that efficiency breaks down, and that scarce resources are getting even more scarce, which in turn aggravates the shortage situation. However, in actual fact, the shortage situation is not a supply-demand problem, but due to the absence of social order and ethical guidelines at the time of distributing resources, as a result of which stealing and robbing becomes the rule, and chaos is the result. To avoid this chaotic condition, the Soviet system has initiated some effective measures that force people to observe a certain order. But the reform involving delegation of powers and ceding of profits, the contract system and the price reform, all these have smashed up this order, and there is also no private property system that could regulate the chaotic situation. This is why there is economic chaos and low efficiency.

Another reason for the slow growth of efficiency is that the price rise has not stimulated a corresponding increases in supplies. In this respect, the limitations on private property have caused an unwillingness on the part of the private economy to choose advanced organizational forms (because this might run the risk of being in future declared exploitation and taken over as commune property). Price rises, therefore, cannot stimulate increased supplies and lowering of costs. For instance, increases in the price of eggs would, in any country with a free economy, stimulate the development of large-scale specialized chicken farms, but in China it will mostly stimulate chicken raising by single families and households. This is so because state-run chicken farms operate at low efficiency, and private chicken farms would have to rely on the development of the private labor market and private capital market, while private capital would run the risk of being taken over in the future as common property. Another example is the price increase in the intermediary commercial links, which did nothing to stimulate well developed private supermarkets and franchising of chain stores, but merely stimulated the opening of most primitive shops.

As far as state-run enterprises are concerned, price rises are even less conducive to increased supplies and greater efficiency. On the one hand, many sectors hold monopolies, and the decontrol of prices, on the contrary, gave rise to rough and slipshod ways of manufacture, to price gouging, and to profiteering by means of monopolies. On the other hand, there was no real owner-boss in charge of property, people were not much concerned about profits, and they did not devote proper time to pricing and

production planning. People frequently preferred a low-yield, high-price product structure that involved the least possible work. These methods were disguised forms of encroaching on the property of the government and of the consumers. On some occasions, workers—even with the connivance of the plant directors—would directly use the indiscriminate issue of bonuses and other such forms to appropriate to themselves public property and to encroach on government property. Due to the fact that there was really no owner-boss in charge of government property, such encroachments did not evoke any countermeasures against these encroachments. Since private property was illegal, this process of appropriating public property for one's private purposes was frequently also inefficient, just as in the case of the fruit tree, all fruit had been picked even before properly ripening.

## II. Why Is a Privatizing Reform the Only Way To Go

Eliminating the negative effects of the price reform, which had been based on erroneous premises, is of course not a simple matter, but actually much easier than people now imagine. There are many types of price reforms. In one type the government controls prices and exercises regulation. This kind of regulation can hardly be instituted and maintained in a free market country, because the free market economy is based on private property. Here, the enterprises have as a natural and unalterable principle the right to "raise prices indiscriminately," while government control of prices is not only a misnomer which does not fit at all, but is also seldom within the power of the government to administer.

Another type of price reform is the system of deregulation of prices, allowing the enterprises to set their own prices. Both these two types of price reform can have extremely negative results, not because the reform itself is problematic, but because of the problem of the property ownership system, namely the system of public ownership. Only by changing public ownership into private ownership, and by protection by law private ownership rights and equality in competition will the pricing system be liberated, and will there also be no further negative effects as they are now being experienced.

Many people do not believe that things are that simple. This brings to mind the situation before the introduction of the contract system in the rural areas. Since 1956, Mao Zedong introduced collectivization and the organization of people's communes in the rural areas, and economic efficiency sank to an unimaginable low. Mao Zedong himself, scholars, and government functionaries tried to figure out ways to improve the administration. A large variety of personal responsibility systems were tried out, but all had their many shortcomings. It was only an extremely small number of people who dared think of the system of fixing output quotas for households. Many thought this system would be an extraordinarily complicated affair, or a matter absolutely impossible to imagine. But since 1978, the peasants came

forward en masse and indeed implemented the system, with extreme ease even. As to government administration, the government found it obviously much easier to administer than the people's communes, and there was no question about whether the people would be able to accept it.

Returning our attention to urban reform, it is precisely in the same position as rural conditions prior to the introduction of the fixed output quotas for households. People think out many methods, try out many plans, but do not dare consider the proposal that has been proven most effective and simplest of all by hundreds of countries of the world throughout thousands of years of history, namely private ownership. Looking at today's reform from this point of view, we can say that the problems in the reform are simpler than people imagine. Remedial measures for these problems are also much easier than people imagine; they would be the unqualified institution of private property and private business operations. However, the difficulty of such a thorough implementation cannot possibly be greater than the difficulties in those days with the fixing of output quotas for households. The crucial point is whether the people can be made to realize that private property and private business operations are the only way to success, and the greatest difficulty in this shift in perception is a kind of ideological bias that prevails in present-day China. The special characteristics of this mentality are due to the fact that the status (in party or government) and nimbus of certain personalities has been established on the foundation of the greatest errors in judgement (for instance, Mao Zedong's dignity established on the correctness of the "three red flags" concept and the correctness of the cultural revolution, and the dignity of the CPC on the correctness of the public ownership system). As a result, the more clearly facts have demonstrated these errors, the more damaging have these facts been to people's self-confidence and self-esteem, and the stronger is therefore their desire to still stick to these erroneous judgements. It is for this reason that whatever ineffective measures or methods there are, they will be found acceptable, while unacceptable is merely found the only effective method which contradicts the mentioned erroneous judgements. The obstruction to China's reform is therefore not any complexity of the reform itself, also not any problem about the feasibility of private property or private business operations, but the biased mentality that stands now in dominant position in China. Think of 1975! How unimaginably difficult and complex was the system of fixing output quotas for households considered at that time, but in the end all difficulty and complexity was in the ignorant and biased mentality of the people.

The present understanding among Chinese scholars of the private ownership system can be seen from the following two examples:

The first example is the proposal to convert to a shareholding system and to separate management rights from ownership rights, as warmly endorsed by some Chinese



in leadership positions and by a considerable proportion of scholars. The shareholding system was first proposed by the World Bank. The World Bank proposal was mainly made as a policy consideration, with the idea of acknowledging state-ownership as a precondition for staying clear of China's bias against the private ownership system. Conversion to a shareholding system would therefore mean that all state-run organizations would hold each other's shares, and that there would be a multiplicity of ownership in every enterprise. By the use of this method, and adding the gradual permission to trade in shares, the state-run enterprises would be peacefully transformed. However, what was the result when China tried out in various places the conversion to the shareholding system, based on state operations? The "state operation" part was genuine, but the shareholding part was a sham. The process of marketing shares was turned by the state-run enterprises into a scheme of apportioning bonds to be taken up by their staff and workers, or into setting up "company" yamens, or rendering the state-run enterprises, originally already quite complex, even more complex and inefficient, or having the shareholders only responsible for profits, but not for losses.

Stigler, a recipient of the Nobel price for economics, pointed out (1983) that the separation of management right and ownership right is a concept that easily misleads people. A shareholder is fully entitled to freely dispose of his shares and bears full responsibility for the consequences of such disposal. The manager is fully entitled to dispose of his managerial knowledge and is fully responsible for the consequences of such disposal. This is a complete private ownership right. In the way a shareholder manages his shares, there is no separation of management action and consequences, in the way a manager managed his managerial knowledge and its application, there is also no separation of management action and consequences. The exchange between shareholder and manager is trading in rights, based on private property rights of shareholder and manager, a trade which essentially is not different from our ordinary use of our own product when exchanging it against other products. The trade may involve trading expenses, there may be an expense for checking and evaluation of the manager's product (effectiveness of management), and this is essentially the same as when we ordinarily buy oranges and check taste and weight. The emergence of managers specialized in certain trades, therefore, only explains the deepening of specializations in the division of labor and engenders a greater depth of the trade in rights. The rights themselves are complete, and the disposal of rights is not detached from the economic consequences of the disposal.

Under the conditions of state ownership, income of anyone entitled to dispose of property is detached from the consequences of the disposal. In a stock company based on state ownership, this detachment is even more serious. If it is mistakenly interpreted as a separation of

ownership right from management right, then this separation is completely different from the trading of rights between shareholder and manager in stock companies of the free economy. The former is the root of all the evil of the counter-efficiency syndrome. Western scholars of property economy call this separation of property disposal and its consequences "truncated property rights," meaning that property rights are topsy-turvy intermixed indistinctly. China now hopes that it can carry out the separation of management from operations while retaining state ownership as a basis. This amounts in actual fact to recombining these indistinct property rights under the conditions of undefined private property rights, with the result that they become even more indistinct. Some scholars of the property economy called this separation of management from operations, which has appeared in socialist countries, the recombining of indistinct property rights. They are still indistinct property rights, and may have become even more indistinct. In this sense, the separation of management from operations, now being practiced in China, is something quite different from and diametrically opposed to the trading of rights between the managers of large companies in the free economy and their shareholders. The former renders indistinct property right even more indistinct, while the latter is a trade of rights developed in the course of the deepening of the division of labor, based on private property rights.

Scholars who are the mentally most liberated in present-day China have emphasized on many occasions the concept of clearly defined property rights, but they have at the same time stated that the concept of clearly defined property rights does not imply a necessity to institute a system of private property, because the property rights of state-run enterprises may also be clearly defined by law (see, for instance, the views expressed along these lines by Wang Xiaoqiang [3769 1420 1730] of the State Restructuring of the Economic System Commission and Zhou Qiren [0719 0366 0088] of the Development Institute). Both, we are afraid, are not too clear about what property rights are. Property rights consist of the right of free disposal of property and the right of independent use of all benefits from the property. In the case of state-run enterprises, it is obviously impossible for whoever is entitled to use and dispose of property to also have the exclusive rights to the benefits. As far as state property is concerned, no one can legitimately dispose of the property or monopolize its benefits. Those empowered to administer state-run enterprises are appointed by the government. They are primarily public functionaries and only secondarily managers. They are merely business managers for and employees of the government; they are neither owners of property nor empowered to freely dispose of property. It is even less possible to identify their income with any disposal of property or property benefits. Titular owner of state-run enterprises is the government, but in the government there is no particular official who has the



complete right of property disposal or right to monopolize the benefits from the property. State-owned enterprises, therefore, have no actual owner-boss. Under these circumstances, how can property rights be delimited? Based on state-run enterprises, it is therefore impossible to delimit property rights. Even if we use "property delimitation" and other such newly coined terms, it is an extremely naive viewpoint that we can still hold on to the concept of the state-ownership system. This naive viewpoint is obviously in conflict with the fact that innumerable state-run enterprises throughout the world cannot compete with private enterprises. The reason why even some enlightened reformers commit this obvious error is apparently related to the bias against the private ownership system, mentioned earlier. Just as in 1959 when many top-flight intellectuals said the "three red banners" concept was a good thing, and as in the early years of the 1970's when many top-flight intellectuals said the cultural revolution was a good thing, there are now many top-flight intellectuals in China who firmly stick to the obviously mistaken view that it is impossible to institute the system of private ownership.

Another reform plan was the active preparation of Chinese officialdom last year to institute nationwide a responsibility system at all levels of state-run enterprises. This reform plan involved complex contract norms, difficult to operate, but more important is the fact that one of the contracting parties is not really the owner of the property. The system of franchising stores in countries with a free economy is similar, but the essential difference is that in the former the branch store and the main establishment are owners of private property. The main store sells to the branch its services, such as managerial knowledge, rules and regulations, advertisement, and raw materials, as well as goodwill attached to the firm name, while the branch store has ownership of its store and the right to normal operations. If the main store would not be owner of private property, it would be like playing chess where one side is a wooden doll without brains or desires; no proper chess game could of course result. For the same reason, the government side in the contract system is not at all a true shopkeeper, and the contract it concludes is avowedly not "the real thing."

More dangerous even is the fact that the large state-run enterprises have developed hierarchical structures, emulating the Soviet Union, while the Soviet Union in turn had been emulating the large corporations of the free economy. The hierarchical structure had frequently been more trade efficient than direct contract relations in the market, but the hierarchical structure of a pagoda is "small toward the top, broad toward the bottom," i.e. with few persons at the upper level, most unsuited to competition and effective supervision. How to supervise the highest level (i.e. to control the controllers) is a big question. The free market has developed two important methods to solve this problem. One is the surplus right of private property. The bosses at the very top have complete surplus rights of private property. They have,

therefore, created an effective encouragement mechanism to improve and supervise the efficiency at the top level. The principle is similar to the system of allowing retention of profits to Chinese enterprises. But in China, government is at the top of enterprises, and government functionaries do not have surplus rights. There is therefore no effective encouragement and supervisory mechanism at the very top in China. Second, the surplus rights can be freely traded in the market. This creates free access to the highest levels of large corporations. The highest level in the hierarchical pagoda-form structure could, therefore, generate effective competition and supervision through the share market and the large-scale corporation property market (whole companies can be freely sold in the market).

In China, the contract system at every level has in many instances destroyed the multi-level organization of large enterprises, and substituted for it the direct contract relationship between managers. This is a typical case of a difficult situation one way or the other: In the absence of private property surplus rights and their free trade, there is either going to be the efficiency of a layered organization, but without sufficient encouragement and supervision at the top, or the destruction of the high efficiency of the stratified organization, but an increase to a certain extent in the encouragements. The problem of encouragements at the basic level is also a serious problem in China, a problem that also depends for its solution on privatization. The only way out of the dilemma is implementation of private ownership and private business operations.

Another reform plan, favored by the Chinese government, is the "all personnel renting system." Because this system combines workers and bosses together as in the "two combine into one" concept, it has some affinity with Marxism. However, the failure of the economic reform in Yugoslavia was precisely caused by this kind of collective ownership, of which the consequences were the reduced employment of workers, creating extreme situations of unemployment and currency inflation.

At present, many more reform models are being tried out, but all these models have been proven unsuccessful in the histories of hundreds of countries. But the most successful model in the world, namely the private property system, is the one that China does not dare implement. Even the much discussed plan to sell off the state-run enterprises was not put into practice, not to speak of the shareholding system based on private property. China is now trying all systems that are certain to fail, but is stalling when it is a question of trying out a system that may succeed. This strange phenomenon is of course also related to the bias against private property and private business operations.

The private property system is one that will regulate disorderly and confused situations. Its capability to do so is due to the restraining and adjusting effect of its competition, using people's selfish desires to restrain and

adjust people's selfish desires. If most of China's property were delimited as private property, everybody could obtain cooperation from others only through voluntarily concluded contracts. Most cases of "using the back door," official profiteering, and other impulses to pursue private gain by selfish acts harmful to others would then be restrained and adjusted by other private interests. The private ownership system can, therefore, find a most powerful motivating force to suppress private desires that would harm others to gain personal benefits. It is therefore possible for society to attain enduring good government and peace. The outbreak of disturbances in Burma, Poland, and Yugoslavia, countries without private property systems, demonstrates this point. The ease with which governments and authorities restored order in turbulent situations in Thailand, South Korea, Taiwan, and Hong Kong, areas with private property systems, also demonstrated this point. Without instituting a private ownership system, all delegation of power and all liberalizing measures will lead to social unrest, because society lacks a motivation to restore order in turbulent situations and lacks a restraining and adjusting mechanism. The following historical story illustrates this point.

Once upon a time, a prince was learning horseback riding. His horse was tricky and always rubbed against a wall to unseat its rider. The prince pulled the reins away from the wall to get out of his predicament, but the more he pulled, the closer the horse pushed against the wall. The king, who was watching, called out excitedly, "Pull the reins toward the wall and let the horse bump its own head against the wall." As the prince did so, sure enough, the horse turned away from the wall. The principle of getting the horse to bump against the wall to have it leave the wall is the same principle for which the private property system is useful in restraining and adjusting the private desires of men intent on harming others to benefit themselves. Private ownership and private business operations are not only demands of China's economic development, but also demands in the interest of enduring good government and peace ("stability and unity") in the political field. The present measures of the government to regulate a disorderly and confused situation (or to establish the new order of commodity economy) are very similar to pulling the reins of the horse away from the wall, meaning that the government is determined not to establish a system of private property, with the result that there is therefore the more "disorderly and confused situation" the more "regulation" is being applied. With a private property system, people would mutually and of their own restrain and adjust themselves, and if the government would then try to regulate a disorderly and confused situation, it would be an extremely easy matter.

### III. Some Concern About Privatization

Since privatization is the only completely successful way of reform, why is it that many people harbor much concern about its implementation? Apart from the bias against private property and private business operations mentioned earlier, there are still the following reasons:

A. Bad business practices by presently operating private enterprises.

Whether enterprises are public or private, whether Western or Eastern, there are always some who engage in bad business practices, even going so far as to gang up for illicit purposes. But as far as present private enterprises in China are concerned, the problem in this respect is possibly even more serious. Viewed from a scientific economic standpoint, this phenomenon can be easily explained.

The back and forth in China's policies, the cycles of "indiscriminate deregulation, rigid regimentation," have been experiences by all of us. The "opening up" that is now being practiced has also many inconsistencies and doubtful points. For instance, it is still the official view that employment of workers is of necessity exploitation, and by explicit text permission is given only to "exploit" a few workers, although in reality employers have indeed hired larger numbers. But must these employers not fear that after 2 or 3 years, government policy may become restrictive again and will permit "exploitation" by hiring people!

Since operators of private enterprises are fearful about long-range policies, they concentrate their efforts on short-range benefits and disregard building up a trade reputation, as would be important for long-term operations. In countries where there is long-range confidence in property rights, most large and small private enterprises emphasize trade reputation, and it is only an extremely small number of them that would engage in bad business practices.

If the Chinese authorities would publicly reverse their verdict in the interest of employers, they would have to acknowledge that employment of workers is not at all of necessity exploitation, unless it involves forced labor or deceitful hiring. The authorities should furthermore legally assert private property rights; people would then have long-term confidence, and bad business practices would quite naturally disappear, while any remaining lawless elements could be dealt with according to law.

Establishment of long-range confidence would on the one hand be an inducement for businessmen to engage in long-term investments, which in turn would be conducive to economic progress. (Continued)

**Enterprise Vitality Seen as Key to Market Reform**  
*HK2403054389 Beijing JINGJI RIBAO in Chinese*  
14 Mar 89 p 3

[Article by Zeng Guoxiang 2582 0948 4382: "Raising Again the Question of Enterprise Vitality"]

[Text] Our country's reform has been carried out for 10 years. Why are a lot of enterprises under the system of ownership by the whole people in our country still lacking in vitality and market competitiveness? Why are

a lot of enterprises in our country still suffering losses? In addition to improper enterprise management, another fundamental reason is that there has been too much direct state control over and too much direct state interference in the enterprise operation. We have talked about this problem ever since our reform was first started. However, we have indeed talked much about this problem, but have done very little to resolve this problem. Sometimes, we talk much, but accomplish little. Therefore, it is now all the more necessary for us to raise the question of enterprise vitality again.

We should not view the question of enterprise vitality by proceeding from our original stand. Instead, we should study and explore this question from a new angle. In my view, we should try to foster the ideological concept of "enterprises being the principal body." I believe this is an ideological breakthrough for us. In the past, we often talked about the question of enterprise vitality on the basis of the understanding that enterprises are subsidiaries of the economic management departments. As a result, in the past, we did not lay stress on invigorating our enterprises which are actually the principal body. In the future, we should make every possible endeavor to invigorate our enterprises by concentrating our efforts on the following aspects.

We should exert our utmost to enable our enterprises to really become the principal body carrying out production and operation. Our enterprises should be given the power to decide what products they should produce, how many products they should produce, and in what way they should handle the relations between producing products and marketing products. In order to guarantee the production of the products needed by the key state projects, the state should try to place orders on these products (forward orders) in advance. The enterprises concerned should first of all guarantee the production of such projects. Moreover, the state should not force the enterprises to sell their products at low prices. Except for electric power, petroleum, and some other types of basic energy resources and raw and processed materials, each and every enterprise should be allowed to sell their products on the market and participate in the market competition.

We should exert our utmost to enable our enterprises to really become the principal commodity-pricing body. Our enterprises should be given the power to decide at what prices their products should be sold and in what way their products should be sold (such as independent marketing, entrusted marketing, joint marketing, production-linked marketing, and so on) in accordance with the economic contracts they have signed and in light of the situation concerning market supply and demand. So long as the enterprises carry out fair and equitable market competition, there will be no market disorder in our country, nor will there be sustained price hikes in our country. The relations between producers themselves and the relations between producers and consumers will thereby be established on the basis of their market

relations. The producers and consumers will also continuously readjust their own choices and decisions so that production, circulation, and consumption will all go on smoothly.

We should exert our utmost to enable our enterprises to really become the principal body carrying out technological renovation and re-investment. So long as our enterprises are given an impulse to carry out expanded reproduction, face investment risks, and operate under the market pressure, they will inevitably continue to expand their production capability, increase their production of readily marketable products, do everything possible to reduce their consumption of financial and material resources, and increase their investment results. Sometimes, a certain project or a certain enterprise may suffer investment losses. However such losses were insignificant when compared with the losses incurred by erroneous decisions made by the administrative organs.

We should exert our utmost to enable our enterprises to really become the principal body handling the internal distribution of individual incomes. On the premise that the state tightens its control over revenue and our enterprises are able to accomplish their quotas of taxes and profits, our enterprises should be given the power to handle their internal distribution of individual incomes so that our enterprises will be able to rationally distribute their after-tax profits in light of their own operations and in accordance with their future development plans, decide on the ratio of their investment funds to their consumption funds, and pay their staff and workers in accordance with the amount of work they do.

In order to realize these goals, from now on, the economic departments and management departments at all levels should make headway with the reform of their management structures and management styles so that our government will gradually learn to guide our enterprises according to the relevant state industrial policies, by providing subsidies to our enterprises, by enforcing special depreciation in our enterprises, by providing preferential interest rates to our enterprises, and by relying on other economic levers, and will gradually abolish through legislation the system under which the management departments at all levels indiscriminately demand profits from our enterprises. At the same time, the economic departments and management departments at all levels should make continued efforts to check on and rectify all types of government-run companies in our country, especially the companies in the circulation field. Efforts must also be strengthened with a view to formulating "Law of Joint-stock Companies with Limited Liability," "Law of Companies with Limited Liability," and "Law of Cooperative Enterprises" as soon as possible. All the legally founded companies should implement a rational wage system, should not indiscriminately distribute wage subsidies in various forms, and should not try to obtain through illegal channels and re-sell for a profit the goods and materials

which are sold according to the state plan at the government prices. If the economic departments and management departments at all levels in our country do not make efforts in these aspects, the "company malpractices" prevailing in our country will soon develop to an uncontrollable level.

Furthermore, we should also make efforts to clearly define the powers and functions of the departments in charge of comprehensive work and the departments in charge of economic management at all levels. The people's governments at all levels should take the lead in checking the powers and functions of all the departments concerned one by one by clearly defining their power of examination and approval so as to gradually check up and rectify all the departments concerned. We should delegate all the decisionmaking power to all our enterprises in accordance with the law and regulations as well as the relevant government documents. The power of approving the delegation of decisionmaking to enterprises should therefore be withdrawn from the economic management departments at all levels. We should also abolish all types of activities aimed at examining and appraising the performance of our enterprises so as to reduce the burden of our enterprises.

Laying stress on increasing enterprise vitality does not mean that our government should completely relax its control over economic management. Nevertheless, our government should make every possible endeavor to thoroughly change its macroeconomic management methods so as to turn its past direct administrative control over enterprises into its aggregate control and structural guidance over commodity market and capital market with a view to indirectly influencing and guiding the production and operation of our enterprises and guaranteeing the sustained and steady development of our national economy. From this analysis, we can see that the enforcement of the central authorities' principle of "improvement, rectification, and reform" by no means runs counter to our efforts aimed at increasing our enterprise vitality. On the contrary, it provides a good opportunity for us to increase our enterprise vitality. The current enforcement of the policy of economic retrenchment is not aimed at enabling our government to reassume its rigid control over our enterprises but aimed at readjusting our country's industrial structure, rationally distributing our country's resources, and further invigorating our country's enterprises.

## PROVINCIAL

### Yunnan Governor Complains About West China Development Policies

HK2203030789 Hong Kong ZHONGGUO TONGXUN  
SHE in Chinese 0900 GMT 21 Mar 89

[Text] Beijing, 21 Mar (ZHONGGUO TONGXUN SHE)—He Zhiqiang, governor of Yunnan Province, a people's deputy from southwest China, has raised objections to the existing development strategy for east and

west China, and has appealed to the authorities to gradually readjust the policies and boost the western regions' vitality for self-development.

He said: "If the coastal economy develops, the southwest should develop also. This is an issue involving rational readjustment of patterns and distribution of interests between the central and local authorities and among different localities. Generally speaking, economic relations between east and west China are not yet harmonious, and certain contradictions are continuing to develop. There are relatively great difficulties to work out."

Since institution of the coastal economic development strategy, the economy of eastern China has developed rapidly and the gap between east and west China has widened daily. Yet, the western area is rich in raw materials needed by industry, especially the processing industries in east China, while both east and west are busily engaged in developing their own local industries. As a result, a chaotic situation of mutual sealing off of the raw materials markets has emerged, and the "silk war" and "wool war" that occurred last year were the consequence of various localities struggling to obtain raw materials.

In view of this, He Zhiqiang said that west China and the coastal regions should seek to establish a new pattern of cooperation within the development of the commodity economy; it is more and more difficult to simply rely on regulation through state administrative orders.

He said that certain people often talk in general terms about whether the industrial pattern should be focused on east or west China. "I think that it is better to give demonstrations and proofs in a discriminating way in accordance with the state's industrial policy. For example, Yunnan ships out large quantities of phosphate ore every year, whereas it would be more economical to focus on processing the ore in Yunnan. On the other hand, processing in the rubber industry in the coastal regions has already formed a pattern and does not use much transport force, so I am in favor of continued efforts to widen the processing capacity of this industry in those regions."

He complained that, although Yunnan is a province that receives central government subsidies, the price differential of the cheap raw materials shipped out of Yunnan exceeds the subsidies.

The governor also pointed out: "The inspiration for the coastal development strategy is to take full advantage of the international environment to speed up self-development. We cannot but wonder, since the coastline is a port, why cannot the land borders also become a port?"

Yunnan, with a border of over 4,000 km, possesses superior features for developing trade with Southeast Asia, but He Zhiqiang said critically: "For many years

now, because of political reasons, Yunnan's border has become a dead border. The international situation has been favorable in the past few years, and we have gradually increased direct trade (mostly border trade) with certain countries, but the central government will have to come out with a relatively complete set of policies in order to form a genuine interior port. At present the State Council does not have an organ in charge of interior ports, and one has to run around to many different departments to get something done." He suggested that the Chinese authorities attach importance to solving this problem.

## FINANCE, BANKING

### Beijing Stock Exchange To Have 'Chinese Characteristics'

HK2003053089 *Beijing CHINA DAILY (BUSINESS WEEKLY Supplement) in English* 20 Mar 89 p 1

[By staff reporter An Weihong: "Research Under Way for Stock Exchange"]

[Text] A major step toward the creation of a Beijing stock exchange was taken last Wednesday with the establishment of a think tank to research what would be entailed.

The research organization was proposed by China's nine leading trust and investment corporations, including China International Trust and Investment Corporation (CITIC), the Everbright Industrial Corporation, China Trust, China Venturetech Investment Corporation and the Investment Corporation and the Investment Corporation for Foreign Economic Relations and Trade.

It is also supported by the State Commission for Economic Restructuring, the People's Bank of China and the Ministry of Finance, according to a senior official with the new think tank.

The official said the country's economic and enterprise reforms have reached the point when studying the establishment of a stock exchange is "very necessary."

The organization will soon begin a feasibility study on the establishment of the exchange and expects to finish it by the end of this year, the official said.

### Centre

A centre for the training of exchange professionals, such as brokers, dealers and traders, will also be set up soon. The trainees will consist of senior officials from the major enterprises and college and graduate students of economics and finance.

The centre, to be located in Beijing, will offer courses ranging from one month to a year on the operation of a stock exchange.

In addition, the think tank is planning to publish a series of books on the securities industry both for the public and professionals.

It will take two or three years to set up a Beijing stock exchange, which the official predicted would become as important as the Hong Kong stock exchange.

But he emphasized that the Beijing exchange would under no circumstances be the same as Hong Kong's stock exchange.

But he emphasized that the Beijing exchange would under no circumstances be the same as Hong Kong's stock exchange.

"It will be a stock exchange with Chinese characteristics," he said.

### Economist Calls for Tightened Money Supply

OW2403131089 *Beijing XINHUA in English* 0809 GMT 24 Mar 89

[Text] Beijing, March 24 (XINHUA)—A leading economist today urged China's central bank to raise the interest rates for bank loans as one way to cool down an overheated economy.

"The most quick-working leverage in China's ongoing readjustment lies perhaps in a tight rein on money supply," said Tao Dayong, a well-known economist and a deputy to the National People's Congress (NPC) currently in session, in an interview with XINHUA.

One way to reduce money supply, Tao said, is for the central bank to raise interest rates for loans to a level higher than the rates on deposits.

Also, interest rates on bank loans should be graded in line with the loans' purposes. The principle should be: lower rates for priority projects and higher rates for less important operations, he said.

"Loans for developing agriculture, for example, should be lower than others," he said, "and long-term projects ought to pay more interest."

The current inflation has resulted partly from excessive amounts of investments and consumption funds that far exceed the state financial strength, Tao said. "This has led to a massive issue of currency and treasury bonds, producing serious inflation."

Tao calls for making really earnest efforts to cut back on social demand, curb institutional buying power, and scale down capital construction, particularly projects not covered by state plans.

Increased bank deposits contribute to checking inflation, Tao said. To increase deposits, he said, interest rates for deposits of less than three years should also be pegged to the price rise index, as is already the case with deposits of three years and longer.

"Only with enough money withdrawn from circulation can the state reduce money supply and have a firm rein on the market," said Tao, who is vice-chairman of the Finance and Economic Committee of NPC Standing Committee.

He said that heavy taxes should be levied on luxury goods, since this will increase state revenues on one hand and lead to the formation of a more rational consumption pattern on the other.

The economist also urged the government to tighten up control over foreign trade. Too much power is going to localities, who hold up an undue sum of foreign exchange for their own interests, Tao said. Tao said he favors counting foreign and domestic debts as part of state deficits.

"The idea is to warn the public of the gravity of our deficits, which amount to 35 billion yuan last year instead of 7.4 billion," said the 71-year-old economist.

## INDUSTRY

### Textile Industry Strives To Increase Domestic Wool Supply

OW1903201889 Beijing XINHUA in English  
1222 GMT 19 Mar 89

[Text] Beijing, March 19 (XINHUA)—China's textile industry is planning to alleviate shortage of wool supply for the country's spinning industry by raising sheep in hilly counties in the south, CHINA DAILY's business weekly reports today.

The report says that wool is the only trade within the textile industry which spends rather than earns foreign exchange.

It quotes an official of the Textile Raw Materials Corporation under the Ministry of Textile Industry as saying that China is the second-biggest wool importer in the world, spending more than 600 million U.S. dollars to import 170,000 tons of wool annually, 70 percent of the amount it needs.

However, the average wool consumption of 0.22 kilograms per capita in China is still a far cry from that of Europeans, who consume more than 2.5 kilograms per capita.

"As the economy develops, China's wool spinning industry is certain to expand even further, meaning that the

supply of raw materials will become a more crucial problem," an official from the Ministry of Textile Industry was quoted as saying.

To meet the challenge, the ministry hopes to make best use of the southern grasslands for sheep-raising.

According to the official, China has 333 million hectares of grassland and 100 million sheep producing 220,000 tons of raw wool annually, while Australia, with 400 million hectares of grassland and 165 million sheep, produces more than 900,000 tons of raw wool.

"The gap is obvious, as is China's great potential to produce more wool," he said.

There are more than 66.7 million hectares of grassy hills in the 13 southern provinces, among which 40 million hectares have been proved to be suitable for sheep raising.

The official said that experts have found the south, which used to be thought as too humid for sheep, has in fact several advantages over the north in sheep raising.

The grass there is thicker and provides a longer period for graze. And the southern areas have more man-made fodder and can turn livestock products into commodities more quickly, thanks to more convenient transportation and proximity to industry and markets.

"If China acts immediately to shift sheep-raising from pastoral areas to agricultural areas, from the north to the south, China will overcome its wool shortage in 10 years," the official said.

### Industrial Spoilage Costs Nation 18 Billion Yuan Annually

HK2203130789 Hong Kong ZHONGGUO TONGXUN  
SHE in Chinese 0855 GMT 21 Mar 89

[Report: "Spoiled Industrial Products Cost China Over 18 Billion Yuan Last Year" ]

[Text] Beijing, 21 Mar (ZHONGGUO TONGXUN SHE)—According to a survey report published by the China Product Quality Management Association, every year the losses caused by spoiled industrial products account for 1.51 percent of China's total industrial output value. In 1988, China's total industrial output value stood at 1,213.5 billion yuan while the losses caused by spoiled industrial products reached 18.32 billion yuan, which was indeed an astonishing figure.

The report published by the China Product Quality Management Association pointed out that such a huge industrial loss was incurred in the process of production and transportation. China's industrial losses include those incurred in the process of repairing, changing, and downgrading products and lowering product prices.

Losses incurred during production and the downgrading products and lowering product prices accounted for 90 percent of China's total industrial losses. The China Product Quality Management Association held that it is urgent for Chinese enterprises to take steps to strengthen their management of product quality in the process of production, which is also an important way to increase the profits of Chinese enterprises.

**Value of Industrial Output as of Feb 89**  
*HK2403115189 Beijing CEI Database in English*  
24 Mar 89

[Text] Beijing (CEI)—Following is a chart of China's total industrial output value in February 1989, released by CSICSC (China Statistics Information Consultancy Service Center)

|                    | Feb 89 | (In 100 million yuan)<br>Jan-Feb 89 | Percentage Over Jan-Feb 88 |
|--------------------|--------|-------------------------------------|----------------------------|
| Total              | 840.6  | 1817.8                              | 108.00                     |
| Including:         |        |                                     |                            |
| Light industry     | 624.3  | 935.1                               | 107.90                     |
| Heavy industry     | 414.3  | 882.7                               | 108.10                     |
| State-owned        | 542.0  | 1173.8                              | 102.90                     |
| Collectively-owned | 266.6  | 574.3                               | 116.00                     |
| Others             | 32.0   | 69.7                                | 148.20                     |

(Industrial output value is measured in 1980's constant yuan)

**Output of Major Industrial Products, Jan 89**  
*HK2103110789 Beijing CEI Database in English*  
21 Mar 89

[Text] Beijing (CEI)—Following is a chart of the output volumes of main industrial products in January 1989, released by the CSICSC [China Statistics Information Consultancy Service Center].

| Item                         | Unit               | Jan 89  | Percentage over Jan 88 |
|------------------------------|--------------------|---------|------------------------|
| Bicycle                      | 10,000             | 335.71  | -1.60                  |
| Sewing machine               | 10,000 sets        | 78.15   | 2.50                   |
| Watch                        | 10,000             | 511.20  | 19.40                  |
| TV set                       | 10,000 sets        | 228.85  | 36.32                  |
| Color TV                     | 10,000 sets        | 91.65   | 51.66                  |
| Radio                        | 10,000 sets        | 113.85  | 8.02                   |
| Tape recorder                | 10,000 sets        | 208.63  | 21.30                  |
| Washing machine              | 10,000 sets        | 88.74   | 15.90                  |
| Camera                       | 10,000 sets        | 20.69   | 9.00                   |
| Fan                          | 10,000 sets        | 305.56  | 20.90                  |
| Refrigerator                 | 10,000 sets        | 62.38   | 47.40                  |
| Chemical fiber               | 10,000 tons        | 12.90   | 21.50                  |
| Yarn                         | 10,000 tons        | 31.58   | -17.00                 |
| Cloth                        | 100 million meters | 12.95   | -7.90                  |
| Chemical fiber cloth         | 100 million meters | 4.71    | -10.10                 |
| Silk                         | 10,000 tons        | 0.35    | -14.60                 |
| Silk fabric                  | 100 million meters | 1.11    | -24.00                 |
| Woollen fabric               | 10,000 meters      | 1958.00 | -8.80                  |
| Knitting wool                | 10,000 tons        | 1.50    | 2.30                   |
| Sugar                        | 10,000 tons        | 122.58  | -10.70                 |
| Salt                         | 10,000 tons        | 40.60   | -5.50                  |
| Cigarette                    | 10,000 cases       | 288.95  | 6.20                   |
| Machine-made paper and kraft | 10,000 tons        | 77.24   | -5.50                  |
| Newsprint                    | 10,000 tons        | 2.20    | -13.40                 |

| Item                       | Unit                 | Jan 89  | Percentage over Jan 88 |
|----------------------------|----------------------|---------|------------------------|
| Anastatic printing paper   | 10,000 tons          | 6.06    | 10.80                  |
| Synthetic detergent        | 10,000 tons          | 10.26   | 20.30                  |
| Bulb                       | 100 million          | 1.40    | -0.60                  |
| Gasoline                   | 10,000 tons          | 180.10  | 14.60                  |
| Kerosene                   | 10,000 tons          | 32.30   | -5.70                  |
| Iron ore                   | 10,000 tons          | 1080.50 | -13.10                 |
| Pig iron                   | 10,000 tons          | 432.50  | -8.80                  |
| Steel                      | 10,000 tons          | 445.60  | -9.80                  |
| Rolled steel               | 10,000 tons          | 355.68  | -6.70                  |
| Wire rod                   | 10,000 tons          | 60.04   | 1.90                   |
| Steel plate                | 10,000 tons          | 45.70   | 2.50                   |
| Coke                       | 10,000 tons          | 361.95  | -7.40                  |
| Sulphuric acid             | 10,000 tons          | 87.04   | 2.60                   |
| Sodium carbonate           | 10,000 tons          | 21.23   | -1.90                  |
| Caustic soda               | 10,000 tons          | 22.81   | -1.50                  |
| Ethylene                   | 10,000 tons          | 14.54   | 46.70                  |
| Purified benzene           | 10,000 tons          | 5.64    | 19.50                  |
| Synthetic ammonia          | 10,000 tons          | 144.34  | -13.00                 |
| Fertilizer                 | 10,000 tons          | 129.11  | -13.30                 |
| Nitrogenous fertilizer     | 10,000 tons          | 106.85  | -10.70                 |
| Phosphoric fertilizer      | 10,000 tons          | 22.06   | -24.00                 |
| Chemical pesticide         | 10,000 tons          | 1.50    | 1.40                   |
| Pharmaceuticals            | 10,000 tons          | 1.39    | 8.60                   |
| Tyre                       | 10,000               | 238.34  | 8.20                   |
| Synthetic rubber           | 10,000 tons          | 2.40    | 34.80                  |
| Plastic                    | 10,000 tons          | 12.52   | -0.40                  |
| Timber                     | million cubic meters | 544.00  | -5.30                  |
| Artificial board           | 10,000 cubic meters  | 16.70   | -10.60                 |
| Cement                     | 10,000 tons          | 1308.00 | -6.70                  |
| Plate glass                | 10,000 tons          | 677.64  | 25.50                  |
| Power equipment            | 10,000 kw            | 58.35   | 4.60                   |
| Machine tool               | 10,000 sets          | 1.43    | 3.60                   |
| Precision machine tool     | sets                 | 93.00   | 150.00                 |
| Large machine tool         | sets                 | 364.00  | 2.80                   |
| Automobile                 | 10,000               | 5.10    | 14.60                  |
| Truck                      | 10,000               | 3.18    | 8.20                   |
| Tractor                    | 10,000               | 7.56    | 9.10                   |
| Small tractor              | 10,000               | 61.00   | -37.50                 |
| Locomotive                 | set                  | 843.00  | -17.60                 |
| Passenger car              | set                  | 130.00  | -18.20                 |
| Freight car                | 1,000 sets           | 1677.00 | -4.60                  |
| Internal combustion engine | 10,000 h.p.          | 487.70  | 24.90                  |
| Civil steel ship           | 10,000 tons          | 2.50    | -45.20                 |
| Computer                   | sets                 | 9.00    | -47.10                 |
| Calculator                 | 10,000 sets          | 38.53   | 38.90                  |



### Textile Output for Jan, Feb 89

HK2403115389 Beijing CEI Database in English  
24 Mar 89

[Text] Beijing (CEI)—Following is a chart showing the textile output in January and February this year and their comparison with the same period last year (excluding that of silk):

| Product            | Unit           | Jan-Feb 89 | Percentage Over Dec 87 |
|--------------------|----------------|------------|------------------------|
| Total output value | billion yuan   | 17.968     | -2.09                  |
| Synthetic fiber    | thousand tons  | 224.80     | 10.79                  |
| Cotton yarn        | thousand tons  | 617.30     | -9.49                  |
| Cloth              | million meters | 229.80     | -7.53                  |
| Cotton prints      | million meters | 113.40     | -10.99                 |
| Woolen fabric      | million meters | 32.78      | -9.68                  |
| Knitting wool      | thousand tons  | 26.567     | 1.53                   |
| Gunny sacks        | million pcs    | 91.17      | -22.24                 |

## SMALL-SCALE ENTERPRISES

### Private Economy Statistics Released

HK2403115589 Beijing CEI Database in English  
24 Mar 89

[Text] Beijing (CEI)—About 40,000 private enterprises were registered and licenced from July 1, 1988, when provisional regulations on private enterprises was implemented, to the end of the same year and their hired laborers total about 724,000, an average of 17.8 of each, according to the latest statistics released by the State Administration of Industry and Commerce.

Authoritative sources estimated that unlicenced private enterprises and those existing in the name of collective, cooperative or household enterprises add up to 400,000, with more than 10 million laborers in employment. private enterprises with more than one million yuan of fixed assets number over 4,000.

China's private economy, flourished in the past few years, has emerged as an economic force to compete with state-owned and collective enterprises.

In China, any production unit whose owner hires more than seven laborers is defined as a private enterprise. The private enterprises that have been registered fall roughly into three categories: First, private enterprises, totalling about 20,000 with 330,000 hired laborers. This is the major form of private economy. The second type of private enterprises is run by partnerships, numbering about 170,000 with 349,000 laborers in employment. The third, limited liability companies with status of legal person, total 1,666 in number with 30,000 employees, which is a new type of private business emerging in the past two years.

Of all the private enterprises in China, over 80 percent are production-oriented. they are chiefly processing, and scientific and technological enterprises. some of them are export-oriented.

Private enterprises have been booming since the 1980's when they resumed a legitimate status after suspending for nearly 20 years.

Private enterprises, often combining ownership and management, have achieved better economic results in most cases because their production is regulated through the market and their existence hinges on performance.

In Wenzhou City, Zhejiang Province, the proportion of private economy has surpassed that of the state-owned. About 80 percent of the city's funds for the construction of public facilities are provided by private enterprises. Shishi, a city in Fujian Province, is also known for its prosperous private sector. In 1987, almost all the enterprises in the city, with a respective annual industrial output value of over 10 million yuan, are privately owned. Three of them obtained an output value of over 30 million yuan each.

In China's southeast coastal areas, private enterprises are beginning to cooperate or merge with state-owned enterprises in forms of leasing or buying out. A group of economic entities have been founded jointly invested and managed by state-owned, collective and private enterprises.

Taking advantage of foreign relations, people in coastal areas in Guangdong and Fujian are setting up processing businesses with materials, samples and designs supplied by overseas clients. So far more than 1,000 export-oriented private enterprises of this type have been founded.

The most difficult problem threatening the private economy is hiking market prices, which in turn have caused increased expenses on raw materials, coal, dyestuff and so on. In addition, the increasing taxes and other charges also affect the development of these private enterprises.

A private enterprise owner in Beijing, who are engaged in umbrella production, complained that he has to pay more than 20 kinds of taxes and charges.

An official from the State Administration of Industry and commerce noted that greater importance would be attached this year to the administration and legislation on private economy so as to standardize their labor protection, management and financial systems.

#### **Work Conditions in Private Business Frequently Poor**

OW2303142389 Beijing XINHUA in English  
0842 GMT 23 Mar 89

[Text] Beijing, March 23 (XINHUA)—The disadvantages of working for private processing businesses in China can outweigh the advantages, the OVERSEAS EDITION of the PEOPLE'S DAILY reports today.

A recent survey of private processors in south China's Guangdong Province showed that businesses processing industrial products with supplied materials have poor management, lack staff and production facilities, and are liable to break the law.

The paper says there are more than 1,000 household-based processing factories in Guangdong. They constitute 10 percent of the total processing industry in the province.

Staff often work more than 9 hours a day. About 20 percent of them have to work 11 hours. Private factories also hire child labor under the age 16.

Staff in a paint-spraying workshop, which is heavily polluted and lacks ventilation, have no gloves and gauze masks.

The paper says some factory owners collude with foreign investors evading taxes and in organized smuggling.

Taking advantage of exemption from state taxes on road transport, water and electricity, education, and social welfare, private businesses attract many key technicians from collectively owned factories by offering excellent pay.

## **CONSTRUCTION**

### **New Housing Technology for Qinghai-Tibet Plateau**

OW2203154489 Beijing XINHUA in English  
1510 GMT 20 Mar 89

[Text] Xining, March 20 (XINHUA)—For the first time, residents on the Qinghai-Tibet plateau, a region with 120-meter-deep permafrost, can move into permanent buildings equipped with central heating.

In the past, Tibetans lived mainly in tents and warmed themselves by cow dung fires, fearing that buildings would collapse as a result of the penetration of indoor heat into the frozen earth.

The temperature in the tents was kept at a maximum of zero degrees centigrade and people had to wear cotton-padded or sheepskin jackets all year round.

To create a better environment for people living and working in the region, local scientists developed a new method of house building.

First they dug a number of holes up to seven meters deep in a designated frozen-surfaced area and then poured cement or drove steel pillars into the holes. The pillars, one meter above ground level, were wrapped in pitch and sponge.

Then crossbeams were placed on the pillars, on which houses were built.

The method made it possible for people to keep rooms warm and prevent the frozen earth from melting.

In addition, such buildings can reportedly withstand earthquakes measured at eight degrees on the Richter scale.

But the buildings are expensive, ranging between 900 to 1,300 yuan per square meter.

To date "suspended houses" with a total floor space of 150,000 square meters have been built along the Qinghai-Tibet highways.

## **FOREIGN TRADE, INVESTMENT**

### **Prospects for Foreign-Funded Firms**

HK3003083789 Beijing JINGJI RIBAO in Chinese  
21 Mar 89 p 2

[Article by Yin Ke 1438 0466: "Big Environment and Small Climate—Talking About Foreign-Funded Enterprises Under the Situation of Retrenchment"—passages within slantlines published in boldface]

[Text] It may be recalled that since October 1988, at several news conferences, foreign correspondents have raised this problem: Would China's improvement and

rectification effort be an impediment to the business of attracting foreign capital? In the past half year or so, satisfactory progress in our use of foreign capital seems to have largely answered foreign correspondents' questions. From an analysis of the use of capital supplied by foreign-funded projects and foreign businessmen, we can see that the momentum of attracting foreign capital has not suffered from our improvement and rectification effort. More than 85 percent of foreign-funded enterprises already in production show normal progress in production and operation, with increased income from both sales and profits. In 1988, exports from the country's foreign-funded enterprises reached \$2.416 billion. The long-standing problem of balancing foreign exchange has basically been solved.

Of course, things are not that simple. Early in this newspaper's second national assessment of the 10 best joint-venture enterprises, this reporter visited some foreign-funded enterprises in Guangdong. He had a long talk with Assistant General Manager Tan Yongcheng of the Meite Container Co., Ltd. of Guangzhou. This reporter kept an actual account of the visit, so the masses of readers can join in the study.

**Question One: What would be the effect of the "large environment" of economic retrenchment on the "small climate" needed by foreign enterprises?**

At present, the country has more than 15,000 foreign-funded enterprises. Those that have begun operation account for 40 percent. Eighty percent of these enterprises are concentrated in coastal areas. In some cities and counties, foreign-funded enterprises have become the mainstay of the local economy. Output value and exports from foreign-funded enterprises in Xiamen accounted for more than 40 percent of local output value and export volume. Therefore, the current "large environment" will naturally have an effect on the "small climate." The "small climate" will also affect the "large environment." People in many foreign-funded enterprises believe that an environment of improvement and rectification would actually provide foreign-funded enterprises with more opportunities. For example, the order of operation would gradually improve, providing conditions for equal competition to foreign-funded enterprises with a relatively strict financial system. The suppression of a price increase would bring about a general decrease in enterprise commercial [operating] expenses. Enterprise profits would thus rise. According to statistics provided by Shenzhen, the city's commercial expenses dropped by 200 percentage points in the second half of last year. Given a reduction in the country's capital construction and a surplus of labor for construction work, foreign-funded production enterprises have been placed in an advantageous position when it comes to inviting bids for expansion and renovation projects. According to incomplete statistics from the Pearl River delta, the manufacturing costs of these projects can be marked down 2-3 percent. But, while reaping actual benefits, foreign enterprises still voice many worries

about improvement and rectification. Tan Yongcheng thinks that the tightening should not be too simplified. It is unwise to apply "the same fixed standard" to all cases. This would disrupt effective supplies. At present, we should pay particular attention to avoiding retracing the old path of mere economic planning. We must safeguard the market mechanism, which is of the utmost importance to foreign-funded enterprises. The labor, money, raw materials, and sales markets have now become increasingly inflexible. But if there is no market mechanism, foreign-funded enterprises can hardly survive. At present, the "contracts" and "regulations" involving foreign-funded enterprises, as examined and approved by relevant departments, have become increasingly incompatible with the "provisions of documents" of the administrative department.

**Question Two: How does foreign-funded enterprises' capacity for absorption fare where the current economic tightening is concerned?**

The improvement and rectification effort characterized by tightening has brought about tremendous changes in the domestic economy and the market. Enterprises have absorbed great pressure, and foreign-funded enterprises are no exception. But according to what this reporter discovered, the operating picture of quite a large number of production-type, foreign-funded enterprises for the 4th quarter of last year and the first 2 months of this year is not bad. Income and profits from sales showed an increase of 4 to 7 percent over the corresponding period of last year. Judging from things this year, the situation is more optimistic. Take the Meite Container Co., Ltd. of Guangzhou, for example. In 1988, this enterprise of fewer than 400 people registered an annual output value of 250 million yuan, total tax-profit payments of more than 80 million yuan, and foreign exchange earnings of \$30 million from exports. Why is it that, given the same situation of tightening, foreign-funded enterprises' absorption capacity is greater than that of state enterprises and town and township enterprises? The reason lies chiefly in the internal mechanism of enterprises and their quality. First, foreign-funded enterprises generally, are mostly subject to market regulation and control, from the selection of projects for construction to production and sales. With regard to raw materials, funds, markets, exports, and so forth, they rely chiefly upon market regulation. Meanwhile, the state grants them relatively great operational decisionmaking power. Therefore, an administrative tightening has much less impact on foreign-funded enterprises than on state enterprises accustomed to feeding from the "big rice bowl" under the planning system. Second, generally speaking, foreign-funded enterprises' operational and management skills and technical level are better. These conditions make for better absorption of the risks brought about by changes in the market. In this respect, foreign-funded enterprises are again superior to town and township enterprises which have a relatively flexible organization. Third, in their operational strategy some foreign-funded enterprises, as earners of foreign exchange from

exports, have their "feet planted in two boats at the same time" (the international market and the domestic market). When the domestic market is poor, they can use the international sales network to switch over to the foreign market. Fourth, in regard to sources of funds, many foreign-funded enterprises have accounts with banks abroad. Generally, they have no problem with foreign exchange loans.

**Question Three: What are the new difficulties now facing foreign enterprises?**

1) The raw materials required by foreign enterprises for production rely chiefly on market regulation. After the tightening, some important means of production and raw materials, such as rolled steel, timber, cotton, grain, and so forth, are supplied according to plans. Thus, foreign-funded enterprises face the plight of not being able to get what is included in the plan and not being able to buy what is not included.

2) Foreign enterprises' production plans are basically determined by market demand. But where some products originally sold very well on the market, the relevant department used administrative means to suppress market demand, making it impossible for enterprises to carry out normal production. Take soda water cans for instance. At present, the country produces 900 million itself and imports 900 million annually. The demand is very strong. The relevant department has reduced domestic production, but it has imported large supplies of soda water cans and beverages in such cans. This policy is obviously inappropriate. But it is still being carried out.

3) With increasingly strict controls on imports and exports in foreign trade, many commodities in bulk have continuously been subject to quotas and the permit system. These quotas and permits are chiefly allotted to state specialized foreign trade companies. It is very difficult for foreign-funded enterprises to obtain them.

4) An overall tightening of money in renminbi has caused foreign enterprises to experience a shortage of funds in production operation and enlarged reproduction. Meanwhile, when enterprises want to increase the original investment, the Chinese side has difficulty raising money.

**Foreign-Funded Enterprises Continue To Increase**  
*HK2403015889 Beijing CHINA DAILY in English*  
24 Mar 89, p 2

[By staff reporter Qi Hongmin—first paragraph published in boldface]

[Text] Foreign-invested enterprises in the first two months of this year more than doubled over the same period last years, according to figures from the Ministry of Foreign Economic Relations and Trade (Mofert).

This brings the total number to about 16,800 with a contracted value of up to \$34 billion.

The statistics relieved the fears of many that foreign investment would fall sharply this year due to the current economic rectification campaign and accompanying squeeze on credit.

A Mofert official told CHINA DAILY yesterday that in the first two months of this year, the ministry had approved 853 foreign-funded enterprises with a total agreement value of \$860 million.

Last year, only 366 foreign-funded enterprises worth more than \$300 million were approved.

Among the newly-approved projects, 98 are wholly-owned while only 16 such projects were approved during the same period last year.

The official said most of the wholly-owned ventures, worth \$110 million, were from Hong Kong, Japan and Taiwan and were export-oriented.

The dramatic jump in soleownership ventures follows the government policy of encouraging such investment during the current cash shortage.

Figures from the ministry also showed a sharp increase in equity joint ventures.

By the end of February, their numbers amounted to 570, double that of the same period last year.

The agreement value of this investment was \$460 million, according to Mofert statistics.

Co-operative production also saw large-scale development with 185 Sino-foreign co-operative projects, 100 more than in the same period last year.

To keep up the momentum, the foreign trade ministry said it was improving further the legal framework, to protect the lawful interests of overseas investors.

Yuan Zhenmin, director of the Department of Treaties and Law under Mofert said his department is now working on detailed regulations to add to existing laws on foreign, solely-owned enterprises, co-operative joint ventures and foreign trade.

He declined to reveal more details about the regulations but said he had no doubt that they would make the environment for foreign investment more secure and profitable.

He also pointed out that several, important foreign-related laws were currently being drafted on companies, demand notes, shipping, special economic zones and copyright.

The director said that some Latin American countries had expressed a desire to reach bilateral investment protection agreements with China, and work in that area was yet to be completed.

China has already signed such agreements with 24 countries. Yuan said he hoped such an agreement with the United States, which has been under negotiation for a long time, would be concluded soon.

#### **Timber Imports To Be Cut**

OW1903151589 Beijing XINHUA in English  
0823 GMT 19 Mar 89

[Text] Beijing, March 19 (XINHUA)—China plans to cut its timber imports by nearly 40 percent this year as part of its effort to curb economic growth and capital construction.

A report in today's business weekly of the CHINA DAILY says that the government's austerity policy means that the world's timber exporters will lose an equivalent of 440 million U.S. dollars in the China market, currently the second largest in the world.

Foreign exchange saved on timber, according to the report, will be set aside for imports of much needed advanced technology and equipment.

The State Planning Commission has decided to adopt a quota system for timber imports. The quotas will be allocated to local governments, which will be given the power to determine what kind of timber they want to buy, the report points out.

Experts predicted that the decrease in timber imports will have some impact on China's construction industry and that the quotas are most likely to be violated, because the slight increase in timber production cannot match the sharply rising demand for timber products.

Statistics show that over the past 6 years, domestic demand has grown 44 percent, reaching a total consumption of 75 million cubic meters in 1988, compared with 52.2 million cubic meters in 1982.

Last year, China, which ranks only behind Japan in timber imports, imported approximately 10 million cubic meters of timber, mainly from the United States and Canada.

China also exports 150,000 cubic meters of timber products annually to Japan and Europe, including cut timber of manchurian ash, mongolian, and [words indistinct] well as wood furniture.

China's timber production basically depends on major foreign zones in the seven provinces of Heilongjiang, Jilin, Fujian, Sichuan, Yunnan, Hunan, and Jiangxi, the two autonomous regions of Inner Mongolia and Guangxi, and the prefecture of Daxinganling.

#### **Continued Decline in Steel Imports Expected**

HK2003053689 Beijing CHINA DAILY (BUSINESS WEEKLY Supplement) in English 20 Mar 89 p 1

[By staff reporter Song Ning: "Continued Slide Seen in Imports of Steel"]

[Text] Chinese steel imports may continue to decline this year, due to price rises on the world market and hard currency shortages.

Exactly how much less steel the country plans to buy abroad is not yet clear. However, Lu Risheng, general manager of China Metallurgy and Steel Products Processing Company, disclosed recently that this year's imports could be one-third less than last year's.

That would follow a 27 percent decline in steel imports in 1988 compared with 1987.

Most of the imports are in the form of sheet steel, especially thin sheets, which are becoming more expensive as producers in the West limit production to force up prices.

Japan, long the leading source of foreign steel, has also reduced its exports of steel products to China and raised its prices.

Import reductions, coupled with a domestic iron and steel industry troubled by shortages of coal and electricity, could make it difficult to meet the increasing demand for steel products for capital construction and industry within China.

The national target calls for 48 million tons of steel products this year, assuming the iron and steel industry can produce 60 million tons of steel. This figure falls far short of domestic demand.

Steel plants are operating below capacity at the moment because of price hikes of raw materials and a severe shortage of electricity.

China's production of silicon steel, for example, can only meet 28 percent of the country's total consumption. Even though many plants are installing equipment to make silicon steel, there is only one plant in the country now that can produce it.

And China's iron and steel industry can produce only 30 percent of the thin sheet steel the country needs every year.

The situation is certain to cause a reduction in the country's steel stockpiles.

Lu said stockpiles of steel products might be reduced by 2 million tons this year. China had a total of about 24.8 million tons of steel products in stock by the end of last year, compared with 28.7 million tons at the beginning of 1987.

However, this year's cutbacks in investment and capital construction may alleviate the shortage of steel products. Demand for structural steel, is certain to drop this year.

### **Auto Parts Exports Up**

*OW2003181289 Beijing XINHUA in English  
1219 GMT 20 Mar 89*

[Text] Beijing, March 20 (XINHUA)—China exported 40 million U.S. dollars worth of auto parts and accessories last year, XINHUA has learned at the International Auto Parts and Accessories Show, which opened here today.

China's auto industry can now export both products using imported technology and those developed domestically.

XINHUA was told that 4,000 factories are now involved in making auto parts and produce 100 types of parts and accessories. The industry's output value totalled 108 billion yuan last year.

Representatives of 115 foreign companies from eight countries and regions including Japan, the Federal Republic of Germany, and the United States, and 350 Chinese firms are attending the week-long show.

### **Over 60 Percent of Foreign-Invested Enterprises in Guangdong**

*40060395A Guangzhou NANFANG RIBAO in Chinese  
6 Mar 89 p 1*

[Article by Le Chaopei 2867 2600 3099: "More Than 7,000 Foreign-Invested Enterprises in Guangdong; More Than 60 Percent of Total Figure Nationwide"]

[Text] Throughout the province, Guangdong is making expeditious growth in foreign-invested enterprises [FIE's], thoroughly implementing the coastal economic growth strategy, and endeavoring to improve the investment environment. In 1988, 2,738 new FIE's registered in the province, a 132-percent growth over 1987. The number of FIE's in Guangdong now totals 7,377, or more than 60 percent of the total figure nationwide.

In 1988, communications, transportation, energy resources, and other "tangible" work were enhanced in Guangdong. The provincial party committee and government formulated policies for bringing about the evolution from a domestically oriented economy toward an externally oriented one in accordance with the central authorities' demands regarding coastal economic development strategies, reform, and continuing to open further to the outside world. Administrators and managers

of industry and commerce and other pertinent departments improved their work methods, simplified work procedures, and perfected the "intangible environment." This brought about four big changes in the development of Guangdong's FIE's: 1) Quicker growth of foreign-invested sole proprietorships. Some 94 started in 1988, a 2.2-fold increase over 1987. 2) More investments from the advanced countries of Europe and the United States. In the first 9 months of 1988, 78 French, Italian, British, U.S., Danish and other projects registered a 2.18-fold increase over the same period in 1987. 3) The number of FIE's of a productive nature is increasing day by day, while projects of a nonproductive nature are being curbed. In 1988, more than 90 percent of the projects introduced were of the former type. 4) Exports are growing greatly and enterprises show more profits. Exports from FIE's in Guangdong in 1988 were at \$1.165 billion, 90.9 percent higher than in 1987. The percentage share of Guangdong's total foreign trade export value climbed from 11.2 percent to 15.8 percent.

### **Inner Mongolia Continues To Expand Export Earnings**

*40060395B Beijing GUOJI SHANGBAO in Chinese  
3 Mar 89 p 1*

[Article by Xing Fengping 6717 7685 1627: "10 Years of Exports Have Earned \$1 Billion in Foreign Exchange—Good Results From Inner Mongolia Outward-Oriented Foreign Trade"]

[Text] Since the 3rd plenum of the 11th CPC Central Committee, Inner Mongolia's foreign economic trade has developed relatively quickly. There is a good trend of overall development in export earnings and improved economic returns and mutual promotion of various projects in foreign economic trade.

Inner Mongolia has established a foundation for export earnings after a decade of endeavor. Export earnings increase year by year. In 1988, the export figure was \$240 million. Foreign exchange earnings from exports over the last decade amount to more than \$1 billion. The scale of foreign trade and the scope of industries has grown continuously through this period. At present, Inner Mongolia has trade relations with more than 60 countries and regions. More than 300 kinds of products are on the international market. A group of famous brand name, rather high-quality, and high exchange earning "hot products" have been developed, 38 of which have earned more than \$1 million.

The export commodity mix is gradually improving. Before 1986, Inner Mongolia's export commodities were mainly agricultural, sideline, and indigenous animal husbandry goods. Thereafter, they stressed readjustment of the export commodity mix based on the strengths of traditional indigenous animal husbandry goods. They improved the product mix over time, developing new products relatively quickly in the mining, machinery and

electrical appliance, light and textile, and clothing processing industries. Mineral goods account for 21.9 percent of export commodities. Light and textile products hold a 40.2-percent share, while agricultural and sideline products account for 37.9 percent.

Border barter trade is also growing swiftly. Inner Mongolia reestablished border barter trade relations with the Soviet Union and Mongolia in 1983 and 1985, respectively. In 1988, the import-export trade figure reached \$96.8 million. The 6-year accumulated total was \$192.48 million.

There has been comparatively great progress in utilizing foreign investment and economic and technical cooperation work. Inner Mongolia approved 198 such projects under contracts worth \$264.57 million during the past decade. The format of these projects has gradually changed from the former virtually "just compensation" trade arrangements to foreign direct investment, joint ventures, and contractual joint ventures, and three forms of import processing and compensation trade. Inner Mongolia attracts international payments for goods, aid, technology transfers or exports, and international lending.

The growth of economic trade plays an important role in Inner Mongolia's economy. More than 10 kinds of important production materials, such as timber, steel, cement, chemical fertilizers, and automobiles, have been imported during the last decade at a total value exceeding \$190 million, of which chemical fertilizers, cement, and timber imports via border barter trade account for more than \$80 million. In the last decade the region has won \$75.15 million in foreign investment, \$8.74 million in foreign gift loans, \$61.1 million in compensation trade and foreign lending, which effectively accounts for the needed construction funds. Profit taxes of 254.46 million yuan have been turned over to the autonomous region and the state during this period. At the same time, the economic trade system has seen a turnover of 85.32 million yuan in export commodity startup and support. The figure has supported nearly 100 kinds of products from more than 100 units, thereby creating an initial backbone of export-producing industries and export commodity production bases.

#### **Xerox of Shanghai Starts Production**

*HK1703095989 Beijing CEI Database in English  
17 Mar 89*

[Text] Shanghai (CEI)—Xerox of Shanghai Ltd., the largest Sino-U.S. joint venture in China's meters and instrument industry and the biggest American investment in a manufacturing firm in Shanghai, went into formal production on March 10.

The assembly plant of the joint venture went into trial production last October and so far it has produced 1,000 1027 zoom desktop copiers. All were purchased by Chinese customers.

About 7,000 copiers will be produced this year and the annual production capacity will rise to 30,000 after the photoreceptor plant and toner plant go into production in 1993.

The joint venture involved a total investment of 30 million U.S. dollars with 51 percent share on the Xerox Corp of America.

China has so far imported five copier production lines from Toshiba, Canon, Ricoh, UPIC and Sanyo respectively.

#### **Foreign Exchange Management Increases Xinjiang's Currency Revenue**

*40060395C Urumqi XINJIANG RIBAO in Chinese  
15 Feb 89 p 1*

[Article by Cui Tongyan 1508 0681 3508: "Region Earned \$275 Million Last Year, 35 Percent More Than in 1987"]

[Text] By strengthening its macroeconomic controls over foreign exchange and actively supporting reform of the foreign trade system, the Xinjiang Foreign Exchange Control Bureau has greatly increased the foreign exchange income of the autonomous region. In 1988, it earned \$275 million, 35 percent more than in 1987.

The Xinjiang Foreign Exchange Control Bureau actively reformed its management of foreign exchange in coordination with its support of the reform of the foreign trade system. First, they revised their practice of examining and allocating retained foreign exchange on export commodities once every 6 months, accelerating the process to a quarterly basis, thereby expediting the turnover of foreign funds in the autonomous region. Next, they adopted flexible control methods regarding requests from units within the autonomous region to use foreign currency to settle accounts after meeting their quotas, allowing them to sell outside the region a certain amount of goods produced from foreign exchange-funded imported materials in order to save the autonomous region some foreign exchange. At the same time, in order to spur enthusiasm for earning foreign exchange by exporting strictly examined export exchange earnings, enterprises in the region are permitted to repay the loan first and then divide it up within the foreign loan repayment period. The bureau also further reformed its control methods over foreign exchange accounts, making it easier for units to utilize foreign exchange by having the autonomous region branch of the bureau manage the total accounts of each area, while each area's branch in turn is responsible for the separate accounts of units under its jurisdiction.

The foreign exchange control bureau achieved relatively good results in developing export commodities, ensuring imports of scarce raw materials by using foreign exchange controls, improving the percentage of exchange used to import advanced technology and equipment,

restricting use of exchange for nonproductive uses, and striving to unite the spending and earning of exchange. In actual foreign exchange spending last year, \$16.95 million, or 9.9 percent, was spent to introduce advanced technology and equipment; \$57.06 million, or 33.3 percent, went to import scarce raw materials for industrial production; and \$55.35 million, or 32.3 percent, went for agricultural materials and chemical fertilizers.

## LABOR

### Trade Unions Urge 'Fair Treatment' for Women

HK1803011089 Beijing CHINA DAILY  
in English 18 Mar 89 p 1

[By staff reporter Cheng Hong]

[Text] Both the All-China Federation of Trade Unions and the All-China Women's Federation have called on all enterprises to ensure fair treatment of the women workers they dismissed while trying to improve their productivity and efficiency.

A survey conducted by the trade unions' federation's women's department showed that in 660 State and collectively-owned enterprises in the country's 11 provinces, nearly 63 per cent of the workers dismissed were women. The figure is as high as 80 per cent in some heavy industry enterprises.

An official from the women's federation told CHINA DAILY that many of the women affected were pregnant or were not considered suitable for their former jobs. These women workers were asked to stay at home for one to seven years. They are paid 50 to 75 per cent of their basic salary, generally 45 to 60 yuan per month.

She said that problems arose when many enterprises asked women workers to stay home for several years. The enterprises then dismissed them outright.

The Beijing-based CHINA WOMEN JOURNAL recently reported that 75 women who were cut from the staffs of eight enterprises in Northeast Jinzhou City, Liaoning Province, were paid less than 50 per cent of their salary—no more than 50 yuan. In Fuzhou City, in South China's Fujian Province, only one-third of the women cut from bus services got half of their salary. Most of them received only 20 to 30 yuan, and five of them were not paid at all.

The women's federation official told CHINA DAILY that husbands began to neglect wives who were treated unfairly by their former employers and could no longer contribute to their families' earnings.

"Accordingly, divorces and family conflicts occurred more frequently," she said. The trade unions' federation reported that in Hunan Province's Xingzi Iron Mining Factory a young woman who was laid off during the

factory's labour reform broke into a factory leader's home and smashed the television set and tape recorder before drowning herself in a river.

The two organizations called on all departments concerned to work out regulations for the women who had been laid off and set up more employment opportunities for them. More of them should be introduced to service trade posts.

She also said that all enterprises should abide by the State's regulation of protecting female workers. The regulation prohibits employers from asking pregnant or childbearing women to leave their posts at will.

It is reported that nearly 90 per cent of the enterprises are encouraging the women they dismissed to enter training classes or move to service trade posts.

## POPULATION

### Birth Rates Differ in Rural, Urban Areas

OW1903142289 Beijing XINHUA Domestic Service  
in Chinese 1155 GMT 16 Mar 89

[By apprentice reporter Wen Min; local broadcast news service]

[Text] Beijing, 16 Mar (XINHUA)—The national family planning sample survey has come to an end, this reporter learned from a telephone meeting yesterday on the summing-up and commending of the nationwide family planning sample survey conducted by the State Family Planning Commission.

The survey shows that birth rates in urban and rural areas differ markedly from 1980. It was learned that since 1980 the birth rate increase in cities is 1.33 per thousand, in townships 2.43 per thousand, and in rural areas 2.84 per thousand. The figures indicate that grass-roots rural villages are still the key areas for family planning work.

According to the sample survey, the birth control rate for married women of child-bearing age is 71.21 percent, an increase of 1.32 percent over that of 1982. It is estimated that, among the 206 million of married women across the nation, 147 million of them or their spouses are using various methods of birth control. The rate for family planning also increased to 58.18 percent in the first half of 1988, from 51.12 percent in 1980.

### Couples Receive Single-Child Certificates

OW2203043889 Beijing XINHUA Domestic Service  
in Chinese 1159 GMT 16 Mar 89

[By apprentice Wen Min; local broadcast news service]

[Text] Beijing, 16 Mar (XINHUA)—"The Communiqué of National Family Planning Sample Survey," published yesterday, says that according to calculations based on



the survey, 28 million married couples across the nation received single-child certificates. This figure represents 13.79 percent of married women of child-bearing age.

The communique also says: The rate for family planning across the nation rises to 58.18 percent in the first half of 1988 from 51.12 percent in 1980; in cities, the rate rises to 94.02 percent from 83.76 percent; in townships, to 57.14 percent from 51.91 percent; in villages, to 52.27 percent from 45.75 percent. Besides, according to calculation, the nation has had an annual average increase of 9.6 million population outside family planning in recent years.

## TRANSPORTATION

### Modernization of Container Ship Transport System

OW2303045089 Beijing XINHUA in English  
1647 GMT 22 Mar 89

[Text] Shanghai, March 22 (XINHUA)—China will invest 84 million yuan in the next two years to modernize its containerized transport system.

Lin Zuyi, vice minister of communications, further explained that the effort is aimed at building an international land-water coordinated containerized transport system with Shanghai Port as its hub.

China started containerized transportation in the early 1970's. Now, a total of 25 ports throughout the country handle containerized transport, and seven of them have built special berths for international containerized freight.

A total of 23 shipping companies with a total of more than 110 container ships also handle international containerized transport.

But many problems exist in China's containerized transport system, the vice minister pointed out, citing a technology lag and backward management and information systems.

He said he hoped that through current efforts and technical updating, a rational system of equipment, management, and information could be established.

He added that by 1990, when the project is completed, the container handling capacity of Shanghai Port will increase from 310,000 to 350,000; and the turnover time of containers at the port will be shortened from 10 days to two or three days.

## AGRICULTURE

### State Council Sets Up Agricultural Production Office

OW1703235189 Beijing Domestic Service  
in Mandarin 1030 GMT 17 Mar 89

[Text] The State Council set up an office of the leading group for the coordination of means of agricultural production on 16 March. The leading group, formed to improve the day-to-day coordination of the production, import, and supply of means of agricultural production, is headed by personnel from the State Planning Commission and composed of personnel from the Ministry of Commerce, the Ministry of Agriculture, the Ministry of Chemical Industry, the Ministry of Light Industry, various banks, and the China National Chemicals Import and Export Corporation. It is responsible for supervising the day-to-day implementation of various decisions concerning the means of agricultural production.

### Paper Calls for More Grain Production

OW1903184989 Beijing XINHUA in English  
0644 GMT 19 Mar 89

[Text] Beijing, March 19 (XINHUA)—The central government should take immediate and effective measures to reverse the decline in China's grain production, a major Chinese newspaper says.

Since 1985, the GUANGMING DAILY says in a front-page report, China's grain output has remained static for four successive years while its population has increased by 61.39 million, reducing the average amount of grain per head from 393.5 to 359 kg.

Last year saw reduced output in grain, cotton and oil-bearing crops. Grain production decreased by 8.55 million tons.

"This," the paper says, "greatly dampened China's ambitious attempt to harvest 500 billion kg of grain and raise the per capita amount to 410 kg by the turn of the century."

The cause of the reverse is said to be the reduction in the area planted in grain and the flow of rural manpower to the cities.

Quoting He Kang, the minister of agriculture, the paper says that last year China's grain-growing area declined by 1.33 million hectares. The output from 670,000 hectares was reduced and some farmland was not used.

"Farmers get little or even no profit from grain production," says the paper, "and a large number of the rural labor force who can do heavy work went to the cities to mend shoes or take up tailoring and other professions, leaving behind children, women and the aged to tend the farmland."

Less investment in farmland management and in water conservation aggravates the situation.

"The nation's political stability and people's prosperity depend on a flourishing agriculture," the paper says. The government has already decided to increase agricultural investment and to raise the purchasing price of grain.

Moreover, scientific departments, banks, and companies supplying agricultural materials should make concerted efforts to stimulate and sustain farmers' initiatives in grain production.

**Management of Irrigation Projects To Improve**  
*OW1903054289 Beijing XINHUA in English*  
0914 GMT 18 Mar 89

[Text] Beijing, March 18 (XINHUA)—China is planning to improve the management of irrigation projects funded by the World Bank, Tao Dinglai, a senior engineer in the Ministry of Agriculture, said today.

Since 1982, he said, China has borrowed 85 million U.S. dollars from the World Bank and the International Agriculture Development Fund (IADF) to improve land in 11 counties in Hebei, Henan, Shandong, and Anhui Provinces.

Through five years' effort, soil there has been turned into high-yielding and low saline-alkali arable land. The production of grain, cotton, and oil-bearing crops has doubled and income has trebled, a feat highly praised by experts of the World Bank.

Meanwhile, China used 70 million U.S. dollars in World Bank loans to improve 200,000 hectares of waste land, achieving worthwhile economic returns.

However, Tao said, "Management is the key to success in these irrigation projects" to reduce the effects of salt and drought.

These projects comprise ditches, wells, and power networks. Damage is inevitable if heavy rain falls. Sometimes farmers fill the ditches with soil to make it easy [word indistinct] them.

Therefore, he said, China is working out ways to improve the management of them.

**Chemical Fertilizer Production To Be Increased**  
*OW2803073389 Beijing Domestic Service*  
in Mandarin 2230 GMT 23 Mar 89

[From the "News and Press Review" program]

[Text] According to a news report carried in ZHONGGUO HUAGONG BAO [CHINA CHEMICAL INDUSTRY NEWS], the State Council has decided that during the last 3 years of the Seventh 5-Year Plan, a total of 4.5

billion yuan should be raised through numerous channels for building subsidiary projects aimed at increasing the production capacities of chemical fertilizer plants and phosphorus and sulfur mines. There will be 150 such new projects. When these projects are put into operation, the chemical fertilizer production capacity will be raised by 4 million metric tons.

**Rubber Industry Needs Capital for Investment**  
*OW1903102489 Beijing XINHUA in English*  
0248 GMT 18 Mar 89

[Text] Beijing, March 18 (XINHUA)—China's rubber industry needs more capital for investment in a bid to double its annual output at 500,000 tons by the year 2000, today's CHINA DAILY reported.

Agriculture Minister He Kang said the industry should increase the amount of rubber produced from the existing rubber trees and open up an extra 150,000 hectares of land for rubber planting.

But he said the low price for rubber had dampened the enthusiasm of rubber plant workers, some of whom have left for other jobs or decided to grow more profitable crops such as coffee.

Natural rubber has an 8-year nonproductive period, he said, and even temporary neglect of this crop would result in a long-term shortage.

He said the boost of the industry urges increased investment coupled with the opportunity for rubber producers and workers to buy necessary production materials at state-set prices.

As rubber plantations are situated in remote, mountainous areas, he said, the workers would also be helped greatly if they were given a guaranteed supply of daily necessities.

China has 580,000 hectares of rubber trees, located on Hainan Island, Leizhou Peninsula in Guangdong Province, Xishuangbanna in Yunnan Province, and the Guangxi Zhuang Autonomous Region.

The per hectare output of 3.3 kilograms of rubber is low compared with the world average, the daily said.

But in some experimental areas on Hainan Island, the output per hectare reaches 10 to 13.3 kilograms.

China started planting natural rubber in the early 1950s when the imperialist countries began their embargo on rubber.

In the past 3 decades, a total of 6 billion yuan invested in this industry has produced 2 million tons of natural rubber.

In 1984, China used a World Bank loan to improve its rubber production. It is now trying to get another World Bank loan for the same purpose.

### **National Tobacco Area**

40060463b Beijing JINGJI RIBAO in Chinese  
1 Apr 89 p 3

[Summary] According to a survey of 21 tobacco-producing provinces and regions, the area sown to flue-cured tobacco in 1989 will reach 23 million mu, an increase of more than 3.7 million mu over 1988. In 1988 flue-cured tobacco output was 2,330,000 tons and about 1,800,000 tons were processed. By the end of June 1989, the amount of flue-cured tobacco in stock is estimated at 950,000 tons. Relevant departments in Jiangxi Province have calculated that tobacco farmers can earn a net profit of 190 yuan for every 100 kilograms of tobacco produced.

### **Anhui Cotton Area**

40060463a Hefei ANHUI RIBAO in Chinese  
9 Mar 89 p 1

[Summary] In 1989 the planned cotton area in Anhui Province was 4.1 million mu. However, according to a survey of 3,543 rural households in 31 counties, the area sown to cotton has declined because cotton prices are low, prices of production materials are high and supplies are poor. The actual area will be less than 3.5 million mu.

### **Rice Becomes Heilongjiang's Major Food Staple**

OW1703231889 Beijing XINHUA in English  
0910 GMT 17 Mar 89

[Text] Harbin, March 17 (XINHUA)—Rice has now become a major food staple in the diet of urban residents of northeast China's Heilongjiang Province, replacing the traditional diet of coarse food grain.

Suo Changyou, director of the province's grain bureau, said that in the last five years the supply of rice available at state-controlled prices has been on the increase in most provincial cities.

Most urban families are now regularly using rice and wheat in place of the coarse food grain, the official said.

Heilongjiang, famous for its grain crops and the export of soybeans, had only a very small rice-growing area in the past. In 1949, only 110,000 hectares of land were devoted to rice crops.

With the development of agricultural technology and the improvement of water conservation facilities in the 1980s, the province enlarged its rice-growing area. From 1980 to 1985, the area increased by 70,000 hectares a year.

In 1988, the province's rice-growing area had expanded to 710,000 hectares, with a per capita output of 86 kilograms.

An official from the province's farming, animal husbandry, and fisheries department said that by 1992 the rice-growing area will reach a million hectares.

### **Dairy Production Increases in Heilongjiang**

OW2003082989 Beijing XINHUA in English  
0659 GMT 20 Mar 89

[Text] Harbin, March 20 (XINHUA)—Heilongjiang Province, in northeast China, now produces 10.6 times more dairy products than it did a decade ago.

Last year the province processed 91,900 tons of dairy products—28.7 percent of the total national output—said Liu Changjiang, an official from the Provincial Food Industry Corporation.

Liu attributed the increase to energetic development of the province's dairy industry over the past decade.

The provincial government issued regulations on full utilization of 3.3 million hectares of grassland and lifted a ban on household raising of milk cows in 1979.

As a result, the number of cows in the province has increased from 46,000 in 1978 to 470,000 last year. Farmers sell 600 million yuan (one yuan equals approximately 27 cents U.S.) worth of milk to the state annually.

The local government has spent a total of 500 million yuan on expanding the province's dairy processing capacity.

To date the province has built 115 new dairies and upgraded 34. The dairies have a combined daily milk processing capacity of 37 billion liters—12 times that of 1978. The output of milk powder, condensed milk and cheese has also increased steadily.

The province exports 2,000 tons of milk powder to Romania and Southeast Asian countries each year, Liu said.

A dairy industry association was set up last year to conduct overall management of all dairy products made in the province.

The province also established the country's largest dairy product research center.

### **Tianjin Mayor on Coordinating Farming, Rural Industry**

OW1703000789 Beijing XINHUA in English  
1239 GMT 16 Mar 89

[Text] Tianjin, March 16 (XINHUA)—Tianjin Mayor Li Ruihuan has suggested compensating the agricultural sector by transferring part of the profits from rural industries.

At a recent rural work meeting, Li noted that in many places peasants vie to develop industry and sideline occupations while neglecting farming. Some farmland is even wasted.

The basic reason that peasants are reluctant to grow grain is that grain means less profits, he said.

The problem, in fact, is the irrational allocation of interests among different sectors in rural areas. It is difficult to solve the problem by raising the grain price only. A slight rise in the grain price has no effect on peasants and a sharp rise will go beyond the purchasing capacity of the state and urban residents.

"The most realistic solution lies in balancing interests among different sectors in rural areas or compensating the farming sector with transfer of part of the profits from rural industries," he said.

The mayor suggested:

- Collecting 10 percent of the profits of rural industrial enterprises to support agriculture;
- Balancing incomes of people engaged in different trades by townships or villages;
- Charging extra tax on or fining those who cannot reach the production quotas for grain and other staple foods;
- Imposing sanctions against those areas that neglect agriculture by halting the supply of technology, prohibiting development of new rural industries or even limiting operations of the existing industrial enterprises.

### **Zhejiang Land Management Regulations** OW0404113189 Hangzhou ZHEJIANG RIBAO in Chinese 15 Mar 89 p 4

["The Zhejiang Provincial Regulations Concerning Land Management"—adopted by the 23d session of the standing committee of the 6th Zhejiang Provincial people's congress on 20 January 1987 and amended in accordance with the "Decision on Amending the 'Zhejiang Provincial Regulations Concerning Land Management'" adopted by the 8th session of the standing committee of the 7th Zhejiang Provincial people's congress on 12 March 1989]

### **[Text] Chapter One. General Principles**

Article 1. This set of regulations is formulated in accordance with the stipulations in the "Land Management Law of the People's Republic of China" and in combination with the actual situation in our province.

Article 2. Land is a valuable resource. Land is particularly valuable in our province as we have a large population but limited land. People's governments at all levels must, by acting in line with the principle that land must be highly treasured and reasonably used, make overall planning, step up management, protect and reasonably develop and use land resources, and stop arbitrary occupation of cultivated land and other land abuses.

Article 3. In accordance with the law, land in the city proper of a city comes under the ownership by the whole people, in other words, by the state.

Aside from that which belongs to the state as prescribed by the law, land in the rural areas and suburban areas of a city is owned by the collective. The foundation plot of a house and small plots of flat or hilly land allotted to a rural household are owned by the collective.

In accordance with the law, land owned by the collective is considered owned collectively by the peasants of a village. Land already owned by the respective organizations of the agricultural collective economy within a village may be considered owned collectively by the peasants of the respective organizations of the agricultural collective economy. Land already owned by the collective economic organizations of the peasants of a township (town) may be considered owned collectively by the peasants of the township (town).

Article 4. In accordance with the law, land owned by the collective and land under state ownership being used by a unit of the ownership by the whole people or a unit of the ownership by the collective may be contracted out and operated by a collective or individual for the purpose of agricultural, forestry, animal husbandry, or fishery production.

A collective or individual that operates a land plot by contract has the obligation to protect the land and make reasonable use of the land in the manner stipulated in the contract.

The right to operate a land plot by contract will be protected by law.

Article 5. No plot of land owned by the state or the collective (including house foundation plots and small plots of flat or hilly land) may be occupied, purchased, sold, or otherwise illegally transferred by any unit or individual.

The right to use the land owned by the state or the collective may be transferred in accordance with the law. Specific regulations concerning the transfer of land-use right shall be separately formulated in accordance with the regulations of the State Council.

The state enforces the system of paid utilization of state land according to law. The specific rules for the paid utilization of state land will be separately formulated according to stipulations of the State Council.

Peasants enjoy the utilization right of contracted land, homestead land, family plot, and privately owned hillside according to stipulated use.

Article 6. People's governments at or above the county level will register land owned by the collectives and issue certificates to confirm their ownership.

People's governments at or above the county level will register land legally used by units and individuals and issue certificates to confirm their utilization right.

Legally certified land ownership and land utilization rights are protected by law.

Article 7. Provincial, city, and county (district) people's governments will establish land management departments to take charge of the unified land management work in their administrative areas.

Township (village) people's governments are responsible for land management work within their administrative areas. Townships (villages) should employ land management personnel who will, under the leadership of township (village) people's governments, be responsible for land management, township (village) construction plan and environmental protection work. Land management personnel will, professionally, at the same time be under the leadership of land management departments, urban and rural construction departments, and environmental protection departments.

Article 8. Major responsibilities of all levels of land management departments:

- (1) Implement and enforce land management laws and regulations of the state and province;
- (2) Responsible for the work of investigation, registration, statistical data of land, and issuance of land certificates within their administrative areas;
- (3) Coordinate with relevant departments to work out a general land use plan, annual land use plan, and control target for farmland occupation;
- (4) Handle the examination and approval procedures for requisition, transfer, and use of land;

(5) Carry out examination and supervision of land exploitation and land use and responsible for coordination work of land exploitation and land use.

(6) Investigate and handle cases involving breaches of land law;

(7) Handle land dispute cases;

(8) Handle other land management matters entrusted by the government;

Article 9. Construction to be carried out in urban planning zone and land needed for such construction must go along with urban planning; builders should seek land-use approval in accordance with stipulations laid down in present regulations.

## Chapter Two. Land Use and Protection

Article 10. People's governments at the county level must work out a yearly plan and set a control indicator for land within their jurisdiction which will be used either by the state for national construction, or by urban and rural collectives for their own construction, or by individuals for building private houses. The plan and control indicator must be examined by municipal land management departments, be approved by the provincial land management department, and be reported to the Zhejiang Provincial People's Government for the record.

Article 11. Efforts will be made to conserve land in national or township (town) construction. Where barren or low-yield land is available, farmland or high-yield land must not be occupied.

Article 12. An idle land fee will be charged for unused land. If construction units fail to begin construction on farmland, garden plots, and other revenue-yielding land after their requisition (use) of these lands has been ratified for 6 months, competent departments at the county level will charge them an idle land fee.

The township (town) people's government will collect idle land fees from collectives or individuals, if their contracted land is left unfarmed or unused for a year. The collected fees will be counted as a financial revenue of the township (town).

If their land is left unfarmed or unused for more than 2 years, the villagers' committee or agro-economic collective organizations will recall their right to operate the land by contract, and will contract out the land to others.

The idle land fee for a certain piece of land will not be three times less than the yearly output value of a similar piece of land.

Article 13. The use of farmland to build new brick kilns is strictly prohibited. Every possible effort will be made to build new necessary brick kilns on hills. Brick kilns are, in principle, not permitted to be built on grain-growing plains. Those that have been built on plains should be allowed only restricted use of soil and are not permitted to expand without authorization. Those that rush headlong into expansion and occupy farmland without approval will be ordered to stop operations and return their land. The returned land will be used for farming. Based on the premise of guarding against soil erosion, manufacturers of brick kilns must make full use of uncultivable hills and slopes by obtaining soil from them, and should integrate their production with landscape planning. They are strictly prohibited from obtaining soil from river embankments, sea walls, and roadbeds.

The use of farmland to build cement components-processing sites is strictly prohibited. Existing cement components-processing sites are not permitted to expand their space without authorization.

Limits of authority over the examination and approval of land used for building brick kilns and cement components-processing sites are prescribed in Article 22 of these regulations.

Article 14. The construction of graves on farmland or forest land is prohibited. Efforts will be made to promote cremation and deep burial, and to build public graves on barren hills and slopes, without destroying the landscape.

Article 15. Land users or individuals will be responsible for refarming and reusing their land which can be refarmed after being used for mining or for soil and sand collection.

Article 16. Planning of urban and rural construction-use land should integrate with the transformation of old cities and villages. Existing premises and unused space must be fully utilized. Article 17. Units and individuals, when using land for construction, should go along with urban construction plans; abide by relevant state regulations on environmental protection and on soil preservation; prevent environmental pollution, soil erosion, and desertation and salination of neighboring farmland. Units and individuals are responsible for making restitution for damages or paying for repair expenses and compensating losses.

Article 18. Within the safety zone of rivers and lakes, the utilization of land should take into consideration the overall plan for management and utilization of rivers and lakes; any unauthorized building of dikes to reclaim land is prohibited.

Any reclamation, exploitation, and use of beaches in coastal areas should proceed with plans; and prior approval should be sought with the county-level people's government.

Article 19. State land recovered through Article 19 of the state "Land Management Law," may be allotted, with a cost, to other units meeting the condition for land requisition, in accordance with the regulations on the power of approving requisitioned land, and after obtaining approval from people's government at or above the county-level; it can also be temporarily leased to farm collectives for farming purposes; however, the state can take the land back when the need for construction arises without giving land compensation fee, disposal fee, and arranging jobs.

Article 20. If the state, township (village)-run enterprises, joint enterprises, private-run enterprises and individuals use farmland to build houses, they should pay a land-making fee according to regulations.

A land-making fee is principally used to reclaim farmland and field; it can also be used for improving farmland and increasing output of low-yield farmland. Using land-making fees for other purposes is prohibited.

Regarding the requisition (use) of permanent vegetable bases whose establishment was approved by provincial, city, and county people's government, the land use unit should pay new vegetable land development and construction funds according to regulations.

City and county land management departments are responsible for collection of land-making fees and new vegetable land development and construction funds. The provincial people's government will set the rates for payment and establish rules for use and management on requisition of vegetable land.

### Chapter Three. State Land for Construction Purposes

Article 21. Construction units may apply for use of land only when their fixed assets investment are included in state and provincial plans and only if their construction projects have been approved by the state.

State construction projects needing requisition of collective-owned land should proceed with following land requisition procedures:

(1) Construction units holding a design plan issued by a competent department of the State Council, or possessing a design plan approved by the people's government at county-level or above in line with the procedures for state capital construction or other approved documents, may apply for use of land with county-level land management department in their areas. Prior agreement should be sought with the urban planning management department for land selected for construction within urban planning zones. Prior agreement should be sought

with relevant departments if land construction is involved in the area of communications, environmental protection, cultural relics protection, and fire safety.

(2) After selecting the construction site and obtaining approval of an initial design for construction projects, construction and land use units may formally apply with the county-level land management department in the locality for construction land by presenting documents approved by relevant departments, construction plan, and land location plan. Under the auspices of the land management department, the land use unit signs a land requisition compensation and disposal agreement with units whose land is requisitioned. According to the approval power stipulated in Article 22 of the present regulations, the agreement is sent to the people's government at or above county-level for approval.

(3) After granting approval of the application for land requisition, the county-level land management department in the locality will allot land in one lot or in several lots according to construction progress.

Except in the case of emergency rescue and urgent military need, no unit will be allowed to use the land first and requisition it later.

Article 22. Limits of authority over the examination and approval of land requisitioned are prescribed as follows:

The takeover of less than three mu of farmland (including garden plots, aquacultural ponds) or less than 10 mu of nonfarmland shall be examined by land management departments at the county level, be approved by the people's government at the county level, and be reported to the provincial or municipal land management department for the record. The takeover of three to five mu of farmland or 10-20 mu of nonfarmland will be examined by land management departments of cities directly under the provincial authorities, be approved by municipal people's governments, and be reported to the provincial land management department for the record. The takeover of more than five mu of farmland or more than 20 mu of nonfarmland will be examined by the provincial land management department and be approved by the Zhejiang Provincial People's Government. The takeover of more than 1,000 mu of farmland or more than 2,000 mu of nonfarmland will be examined by the Zhejiang Provincial People's Government and be reported to the State Council for approval.

If there is a need to requisition land for an overall urban and town development project and supplementary infrastructural construction, construction departments of counties, cities, and townships will follow, in their application for the use and requisition of the land, the provisions of this article regarding limits of authority.

Perennial vegetable supply bases established with the approval of the provincial, municipal, or county government will, as a rule, not be requisitioned. If they must be

requisitioned for use in national construction, their requisition must be approved by the Zhejiang Provincial People's Government, and new vegetable bases will be established to replace them.

If a construction project calls for the use of a piece of land, the application for land use should be based on the overall plan for the project, and should be filed only once. The land to be used should not be divided, to file several applications. If a project is to be completed stage by stage, the requisition of land should be conducted stage by stage as well. Advance requisition of land is not permitted. Construction-use land reported to higher authorities for approval by people's governments at city and county levels, or examined and approved by them will not exceed the provincial authorities-approved yearly control indicator for construction-use land.

Article 23. The user of requisitioned land should pay compensation for land and for young crops and fixed objects on land.

(1) Compensation for land should be calculated as follows: For requisitioned farmland in suburban cities directly under the provincial authorities, compensation will be five to six times its yearly output value. For requisitioned farmland in other areas, compensation will be four to five times its yearly output value. The calculation of yearly output value will be based on the average yearly output value of the requisitioned farmland in the 3 years prior to its requisition. Compensation for nonfarmland will, as a rule, not exceed half of that for farmland.

(2) Compensation for young crops should be calculated as follows: Compensation for young crops on requisitioned land will be equal to the output value of the crop in that season. No compensation will be paid where no young crops are planted on requisitioned land. If crops are planted after a piece of land is requisitioned, no compensation will be paid for them when construction begins on the land.

(3) Compensation for fixed objects on land should be calculated as follows: Trees, buildings, and facilities on requisitioned land will be either compensated at discount prices or relocated. The amount of compensation can be prescribed by people's governments at city and county levels. No compensation will be paid for those trees or facilities erected after consultations on the requisition of a piece of land begin.

Article 24. In the requisition of arable land, the unit using the land shall pay a sum of resettlement subsidies in addition to paying an amount of compensation.

In the requisition of arable land, the number of people to be given resettlement subsidies will be calculated on the basis of the ratio between the requisited area and the per capita arable land of the unit being requisited. The standard resettlement subsidies for each farmer will be

about two to three times the average annual output value generated by the land in the 3 years before it is requisitioned. The resettlement subsidies for each mu of land will not exceed 10 times the average annual output value generated by the land in the 3 years before it is requisitioned.

In the requisition of nonarable land, in general the resettlement subsidies will not exceed one-half the standard resettlement subsidies for arable land in the locality.

Employment arrangements will not be made for those who have received resettlement subsidies.

Article 25. With the approval of provincial land administration departments, appropriate additional resettlement subsidies may be given to farmers whose original standard of living cannot be maintained despite having received compensation and resettlement subsidies in accordance with Articles 23 and 24, but the total amount of compensation and resettlement subsidies must not exceed 20 times the average annual output value generated by the land in the 3 years before it is requisitioned.

The charge for land to be used by foreign-invested enterprises will be handled according to the Provisions of the State Council on Encouraging Foreign Investments.

Article 26. The compensation and resettlement subsidies received by the units whose land is requisited will be used to develop production and to find employment for their surplus labor, or will be used as livelihood subsidies for those who are unemployed. It is not permitted to divide up the compensation money and the resettlement subsidies or to use them for other purposes. Supervision in this respect will be the responsibility of land administrative departments, town and township governments, and banks.

The villagers' committee or agricultural collective economic organizations will not be permitted to redistribute the requisited land contracted by peasants. With the approval of the unit whose land is requisitioned, resettlement subsidies may be given to peasants who voluntarily engage in other occupations after the land requisition, even though they do not need the help of the unit requisitioning the land and of the towns, townships, and villages to find employment for them.

Compensation fees will be given to an individual provided what is planted on the land belongs to him.

Article 27. When a state land requisition causes a labor surplus in the rural areas, the land-using unit should coordinate land management units at and above the county level to cooperate with the unit whose land has been requisitioned as well as other units concerned to arrange work for the surplus laborers by developing farm

and sideline production, setting up village (town) enterprises, or by other means. If it is really difficult to arrange employment for all the surplus personnel, then the hiring method may be adopted by the land using units to resettle the surplus laborers with the approval of the prefectural and county level labor and personnel department. The hiring quotas will be determined according to the area of land requisitioned and the original per capita land distribution. The transference of household ration grain for the hired personnel shall be handled in accordance with regulations promulgated by the provincial department concerned.

When surplus laborers are resettled by the hiring method, a subsidy will be paid to the unit that hires them, but not the unit whose land has been requisitioned.

Article 28. When tax-paying farmland has been requisitioned from a unit, its agricultural tax and grain procurement quota will be readjusted by county-level government departments in charge of such matters.

Article 29. When all the farmland of a unit has been requisitioned for state construction, the status of its farm laborers may be changed to that of nonfarming laborers when verified and reported by the county or city government and approved by the provincial people's government. Its collectively-owned property as well as its land compensation and resettlement subsidies will be disposed of by the people's government at and above the county level in consultation with the towns (township) or villages concerned. Subsidies for developing production and allowances for the unemployed may not be used for any other purposes.

Article 30. The standard of land compensation and measures for resettling residents of land requisitioned by the state for building large and medium-sized water conservancy or hydropower projects will be worked out by the local county-level people's government in accordance with related state regulations.

Article 31. When land has been requisitioned in accordance with stipulations stated in this regulation, the unit whose land has been requisitioned should submit local interests to the need of state construction, sign a land requisition agreement, and surrender the requisitioned land on time according to a preset timetable and should not make extra demands to delay or obstruct state construction.

Article 32. When a piece of land has not been put in use 2 years after requisition, a local people's government at and above the county level will take back the land and report the action to the unit that originally approved the requisition for reference, except in the case when the unit which originally approved the requisition agrees to extend the using period. The using unit should not dispose of the land without proper authorization, and no other unit or individual may encroach upon it.



Article 33. Sites used for material storage, transportation, or other temporary purpose during the construction should be set up within the boundary of the requisitioned land. If extra land must be leased for temporary use, the land using unit should submit a request stating the area and time limit of the land it wants to lease. Requests for lease of land of area less than 10 mu will be submitted to the county-level land management department for approval. Land lease requests for area from 10-20 mu will be submitted to the city land management department for approval. Requests for areas over 20 mu should be submitted to the provincial land management department for approval. Generally, the time limit of leased land may not exceed 2 years. If the time limit must be extended, approval must be obtained from the unit that originally approved the request. During the leasing period, the using unit should pay an annual compensation each year equivalent to the land's average annual yield in the 3 years prior to the lease. No permanent buildings will be erected on leased land. When the project is completed, the land should be returned to the original units in its original farming conditions.

Article 34. Units in cities and towns under collective ownership, when in need of land owned by rural collectives for purpose of construction, should go through the application formalities for land requisitioning as stipulated in this set of regulations. The applications should be handled according to the limits of authority for examination and approval as prescribed by this set of regulations.

Jointly run enterprises invested in by rural collective economic organizations and units under state ownership or units in cities and towns under collective ownership together, if in need of land owned by rural collectives, may requisition land. Agricultural collective economic organizations may also set the right to use land as a condition for running enterprises jointly. However, it is necessary to produce documents of construction projects and agreements signed by both sides and approved by planning departments above the county level or the departments in charge and apply to land administrative departments for using land. Applications should be handled in accordance with the limits of authority for examination and approval as stipulated by Article 22 of this set of regulations.

Article 35. Land owned by the state and being tilled by rural collective economic organizations on a long-term basis should be returned to the state in case the state needs it for construction. Proper subsidies should be given according to concrete conditions.

Article 36. Construction units in want of state-owned land (including land used by state farms, forest farms, pastoral farms, and fishing grounds) for capital construction should follow Articles 21 and 22 of this set of regulations.

Any unit that wants to use state-owned land being used by other units should offer proper subsidies to other units for compensation, and if it is necessary for other units to move away, should be responsible for their transport.

#### **Chapter Four. Land for Development of Townships (Towns), Villages**

Article 37. In housing developments for rural residents, enterprise developments in townships (towns) and villages, and the development of public facilities and public welfare institutions in townships (towns) and villages, plan should be drawn up in accordance with the principle of rational distribution, economical use of land, and facilitation of production and living.

Plan for village development must be discussed and approved by villagers' meetings and reported to the township (town) people's government for approval. Overall plan of townships (towns) and the development plan for places where townships (towns) are located must be discussed and approved at township (town) people's congresses and reported to county-level people's governments for approval. The construction plan for townships and villages in cities and counties should be reported to city and county people's governments for approval.

Article 38. Land to be used by rural enterprises must be under strict control, and it is necessary to use as much base land, barren hills, and other nonarable land as possible. Rural enterprises in need of land must produce documents approved by planning department above the county level or departments in charge and apply to county-level people's government's land management departments. Applications should be handled according to the limits of authority for examination and approval as stipulated by Article 22 of this set of regulations.

Rural enterprises wishing to use land owned by collectives should give proper subsidies to collectives and make proper arrangements for the placement of peasants.

Article 39. Townships (towns) and villages in need of land for public facilities and public welfare institutions should submit plan to township (town) people's governments for examination and verification and apply to county-level land management departments. Applications should be handled in accordance with the limits of authority for examination and approval as stipulated in Article 22 of this set of regulations.

Article 40. It is necessary to strictly control arable land for housing purpose. In rural areas, the building of private residences should be arranged in a unified way by the villagers' committee according to village and town construction plan. Nobody is permitted to build residences on land without authorization or build residences on land larger in area than approved.

Strictly limit the area of housing premises. The standard for the area of premises of private houses (including additional rooms and courtyards) in the countryside is that for large households; it should not exceed 135 square meters on farmland and 140 square meters on nonfarmland. The county-level people's government should formulate specific regulations based on local conditions regarding the definitions of large, medium, and small households and set a standard to limit the size of land used for housing construction.

For construction of private residences in the countryside, a request should be submitted to the village residents committee for collective discussion and approval. When farmland is used, the request will be examined by the town (township) people's government and forwarded to the county-level land management department for approval. When no farmland is used, it will be examined and approved by the town (township) people's government and reported to the county-level land management department for reference. Total farmland approved by the city and county land management departments for rural private housing construction should not go beyond the annual control target of land for housing construction set by the province.

Article 41. Staff members, workers, cadres, servicemen, and other personnel resettling in the countryside of their homeland will receive the same treatment as the local peasants regarding housing construction.

Requests for land to build private houses by returned overseas Chinese; compatriots from Hong Kong, Macao, and Taiwan; and overseas Chinese, as well as requests by relatives of overseas Chinese who want to build private houses with foreign exchange remitted to them by their overseas relatives, will be examined and approved by the county-level people's government. The area limit of housing premises will be somewhat relaxed compared with the local standard.

Article 42. If because of housing difficulty, cadres, staff, workers, and rural residents, who really want to build houses in cities and towns, may buy commercial housing units or request the local governments to raise funds for joint housing projects. Construction of single houses in urban areas is prohibited. Per capita living space for registered rural residents is limited to 20 square meters.

Article 43. The premises of peasant houses that have been torn down after their occupants moved away will be repossessed by the village residents committee.

Those who have sold or rent out their houses will not be allowed to request land to build new houses (except those whose houses have been bought by the state at depreciated prices, and who have been given promised by the village residents committee to build new houses).

When land gained from rebuilding old villages is used for farming, it will be treated as newly reclaimed land and exempted from paying agricultural taxes for 5 years.

Article 44. When applications for the use of collectively owned land for nonfarming purposes by specialized rural households, individual industrial and commercial businesses, or joint economic activities have been examined and approved by the local town (township) people's government, they will be handled in accordance with stipulations contained in Article 22 of these regulations. However, as soon as their specialized production activities have ended, the land will immediately be returned to the collective and may not be transferred to anyone else.

Article 45. When a peasant who has been approved to engage in commercial, industrial, service, or other business activities in cities and towns, and who has promised to take care of his own ration grain problem, make a request for land to build a house, he must apply at the city or town government where he lives taking with him related certificates issued by departments concerned. If approved, their requests will be handled in accordance with stipulations contained in Article 22 of these regulations. Regulations governing the conditions for peasants to engage in commerce, industry, and the service trades in cities and towns as well the limit on land use, payment standard, measures for the disposal of land after their businesses have ended, and other related matters will be published by the provincial people's government.

Building houses in cities using commercial, industrial, or other business activities as excuses or by any other means of deception is strictly prohibited.

## Chapter Five. Reward and Punishment

Article 46. People's governments at all levels should commend or reward units and persons that meet one of the following requirements:

- (1) safeguarding land management laws and regulations and manage land according to law with marked results;
- (2) rationally planning, economically using land, and protecting arable land with remarkable results;
- (3) reclaiming land, repeatedly clearing wasteland, rationally developing and exploiting land resources, and conducting scientific research concerning land with marked results.

Article 47. Those who violate the State "Land Management Law" and this set of regulations should be penalized as follows:

- (1) Units under state ownership and city units under collective ownership that illegally use land without approval or gain approval by cheating should be ordered

to return the land they illegally used and pay a fine. The newly built buildings and other facilities on the land they illegally use may be either demolished within a definite time or confiscated. The key responsible persons of the units which illegally use land will receive disciplinary sanction.

Rural enterprises (including jointly run enterprises) that illegally use land without approval or gain approval by cheating should be ordered to return land illegally used and pay a fine. The newly built buildings and other facilities on the land they illegally use may be either demolished within a definite time or confiscated.

Those who use more land than approved should be punished according to how much land they illegally use in addition to the area approved.

(2) Rural residents who illegally use land for housing purpose without approval or gain approval by cheating should be ordered to return the land illegally used. The newly built buildings may be either demolished within a definite time or confiscated.

(3) In cities and towns, nonpeasant residents who build houses on land they illegally use without approval or gain approval by cheating should be ordered to return the land they illegally use. The newly built houses on the land they illegally use should be either demolished within a definite time or confiscated.

(4) State functionaries and rural grassroots cadres who abuse their power to illegally use land for housing purpose without approval or gain approval by cheating should be punished more heavily in accordance with the above stipulations. They should also receive administrative sanctions.

(5) To punish those who buy, sell, or illegally transfer the possession of land in other ways, the state should confiscate their illegal income. The newly built buildings and other facilities on the land for sale or whose possession is being transferred in other ways should be either demolished within a definite time or confiscated. Their right to manage or use the contracted land should be revoked and a fine may be imposed on both sides. Personnel in charge should receive administrative sanctions from units to which they belong or from organizations at higher levels.

(6) Personnel in charge of units that approve the requisitioning and using of land without authority or persons who illegally approve the use of land should receive administrative sanctions. The documents of their approval should be nullified.

(7) If construction units do not return land they use on temporary basis when the period of permission for use has expired, they will be ordered to return the land to units to which the land belongs. Construction units should pay compensation for economic losses to units to

which the land belongs and may also be fined. If construction units refuse to return land to units to which the land belongs when the period of permission for use has expired, they will be considered as illegal occupation of land and be handled accordingly.

(8) Those units that damage farmland through digging earth and sand or cause soil erosion and damage land resources through wanton reclamation will be ordered to restore land to the original condition or may also be fined.

(9) Those units that illegally hold land compensation fee, relocation subsidies or land improvement fee will be ordered to repay the money and may also be fined. Administrative punishment will be given to those who are in charge of those units. Individuals who illegally hold and use the money will be considered as acts of embezzlement and be handled accordingly.

(10) If parties concerned insist on unreasonable demand when the state wants to requisition land and thus obstruct construction work and production and cause economic losses, they will be ordered to make compensations and may also be fined. Administrative punishment will be given to those who are in charge of those units.

Article 48. Various departments and units should support land administrative personnel's performing their duties in accordance with the law and must not obstruct their handling of cases in violation of the Land Administration Law.

Land administration personnel should set good examples for other people and must perform their official duties impartially and not abuse their power to seek private interests.

Article 49. Confiscation, dismantlement, fines, and other administrative punishments stipulated in these regulations will be decided by land administrative departments of people's governments at county or above level in accordance with the law.

Administrative punishments for rural residents who illegally use land for housing construction without approval as mentioned in (2) of Article 47 will be decided by people's governments at township (town) level in accordance with the law.

The administrative punishments stipulated in these regulations will be decided by units or departments to which the individuals or parties concerned belong according to opinions made by land administrative departments at county level.

Article 50. Fines or economic compensations to be paid by state enterprises should be disbursed from their accumulated funds or retained profits. The money must not be listed as production cost or part of capital

construction investments. Fines or economic compensations to be paid by administrative organs and institutions should be disbursed from their budgetary funds. Responsible departments and banks are to supervise such disbursements.

Article 51. Fines and money to be confiscated as mentioned above are to be collected by organizations which execute such punishments and be handed over to state financial departments at the same level.

Article 52. If individuals or parties concerned do not agree with the punishment, they may bring a suit at the people's court within 15 days after receiving the notice of punishment. If they do not bring a suit at the people's court within the time limit and do not pay fines and compensations, the organizations that make decisions on the punishment may ask the people's court to enforce such punishment.

Units and individuals, after receiving notice on dismantling new structures and other facilities within a certain period, must immediately stop such construction work. Organizations that make decisions on punishment have the right to stop such construction and dismantle those structures. Those who refuse or obstruct land administrative personnel's performing duties according to the

law will be punished in accordance with pertinent stipulations of the regulations governing the punishment of those who violate public order.

Article 53. Engaging in illegal buying and selling of land to gain huge profits in a serious nature constitutes a crime. Judicial organization will investigate and affix criminal responsibility for such activities.

In the course of changing land ownership or changing the right of using land and in the course of solving disputes on land ownership or right of using land, those who offer bribes, take bribes, blackmail others, embezzle money, steal properties and things from the state or collectives, or instigate the masses to create trouble and obstruct state construction work will be investigated and punished in accordance with pertinent stipulations of the "Criminal Law" if those activities constitute crimes.

#### Chapter Six. Supplementary Article

Article 54. These regulations will go into effect from the date of publication. The "Zhejiang Provincial Regulations Governing the Administration of Land for Construction Purpose In Urban and Rural Areas" revised and adopted at the Ninth Meeting of the Standing Committee of the Sixth Provincial People's Congress on 6 September 1984 shall be rescinded at the same time.

## CENTRAL-SOUTH REGION

### Guangdong Cracks Down on Economic Crime

OW1603044289 Beijing XINHUA in English  
1509 GMT 15 Mar 89

[Text] Guangzhou, March 15 (XINHUA)—Prosecutors in south China's Guangdong Province handled 889 cases of economic crimes involving more than 1,000 people last year.

The chief prosecutor of the province, Xiao Yang, said that of the 889 cases, 719 involved embezzlement and bribery. Many of the crimes were committed by government workers.

Last year 551 government workers were prosecuted and 437 others were dealt with. Illicit money and goods worth nearly 20 million yuan (about 5.4 million U.S. dollars) were recovered and losses of more than 100 million yuan (about 290,000 U.S. dollars) retrieved for the state, businesses and individuals.

The forceful action has stunned criminals and corrupt government workers in the province, the prosecutor said, and done much to keep the government honest.

However, embezzlement and bribery have not been stamped out yet. Such cases make up more than 80 percent of the total investigated economic crimes in this south China province, where criminals are proving more cunning than ever.

Some criminals use modern technology to embezzle public funds; some collude with foreign business people to place their illicit money in overseas banks. Some criminals take advantage of the frontier position of the province and escape overseas with their profits.

The official said embezzlement and bribery are the most dangerous crimes threatening economic order. Provincial prosecutors are giving top priority to the campaign against people guilty of such practices.

### Guangzhou Plans Civic Improvements for 1989

OW1503140889 Beijing XINHUA in English  
1318 GMT 14 Mar 89

[Text] Guangzhou, March 14 (XINHUA)—Guangzhou, capital of south China's Guangdong Province, plans to take a number of concrete steps towards civic improvement in 1989 in addition to its planned targets.

According to a government report given by Mayor Yang Ziyuan at the city's Ninth People's Congress, the city will help 5,000 needy rural families find ways to become better-off and will renovate ten high schools.

It will install additional telephones in the city and in its outskirts and increase the supply of liquefied petroleum gas to urban residents.

Widening 11 highways, adding 35 public buses and five ferryboats and building five traffic overpasses and several garbage disposal facilities are also on the list.

Yang said that the city government also plans to increase wholesale vegetable departments, electricity-generating capacity, and residential housing and will set up a new first-aid center.

The city's People's Congress began meeting on March 13, and the session will end on March 18.

### Move To Fight Influence of Pornography on Guangzhou Students

OW1603231589 Beijing XINHUA in English  
1253 GMT 16 Mar 89

[Text] Guangzhou, March 16 (XINHUA)—A retired official in Guangzhou, capital of south China's coastal Guangdong Province, transferred his son to three different high schools and finally sent him back to the countryside for over a year.

Wang Yongqi, retired from the province's broadcasting and television department, said he did it to keep his son away from unhealthy publications.

Wang said that pornographic and vulgar publications have become a social problem.

"The increasing juvenile delinquency, discontinuation of high school studies and students' rushing into business are all connected with the new social environment," Wang said.

Ye Dake, a teacher at the Guangzhou Guangyuan High School, quoted some students' parents as saying that their children spent so much time reading vulgar novels dealing with martial arts and love affairs that they have no time for homework.

Ye said that some books, periodicals and tabloids, under the guise of legal education, actually devote too many pages to detailed descriptions of sexual relations and obscenity. He said that smoking, gambling, and preconscious love are becoming common practices among his students.

Lin Jianshi, president of the Guangyuan High School, said that many social activities nowadays are harmful to the students' healthy growth. There are too many electronic games rooms, video rooms and pool tables in the streets and even in front of the school gate.

Some TV programs have too many love scenes, he said. These things can easily take students' minds off their studies, he added.

Xie Fei, deputy secretary of the provincial committee of the Chinese Communist Party, said that the committee and the government should make a quick decision to eradicate these "spiritual drugs" and "cultural garbage."

This is a matter concerning the immediate interests of the people as well as the country's destiny, he said.

He added that since 1984 the province's Chaozhou city, with a population of over one million, has not had a single case of juvenile delinquency because the whole society—including schools, families, women's associations and neighbor's committees—attach great importance to the students' moral education.

Last August and September the province held a meeting on the moral education of primary and high school students in Chaozhou. Xie said the authorities were going to adopt and spread the city's experience in Guangzhou.

### **Guangdong Officials 'Alarmed' by Increase in Bigamy**

*OW2303050089 Beijing XINHUA in English  
1537 GMT 22 Mar 89*

[Text] Guangzhou, March 22 (XINHUA)—Burglary and theft may be the most common crimes in Guangdong Province, but local procuratorates in rural areas say they are alarmed by the small but growing cases of bigamy.

The procuratorate in Panyu County has recorded 17 prosecutions for bigamy and Huaxian County has reported 21 cases, according to the Guangzhou-based YANGCHENG EVENING NEWS.

One privately-run construction team leader in Panyu County, who was married with six children, abandoned his wife in favour of someone younger. He did not bother to divorce his existing wife.

Local officials say that ignorance of the marriage law, which makes bigamy a crime, is largely responsible for the cases so far.

One farmer believed that he was not guilty of bigamy because it was his first marriage and his wife, who had a husband, agreed to go along with the plan.

Chinese customs, which stress the importance of carrying on the family name and which attach stigma to divorce, account for other instances, judicial officials say.

In one case, a doctor committed bigamy after his first wife was unable to have children.

Another woman, whose husband married another woman without divorcing her, said she did not bring a lawsuit against her husband because she feared that her husband would beat her up if she took legal action.

Local judicial departments are now planning a campaign to inform people of the marriage laws in the hope of reducing the number of bigamists.

### **Hainan in Process of Drafting Laws**

*OW1603074689 Beijing XINHUA in English  
0649 GMT 15 Mar 89*

[Text] Haikou, March 15 (XINHUA)— Hainan Province is in the midst of drawing up local laws and regulations, including company law and investment law, which are important to the province's economic system and construction.

An official from the legal affairs committee of the province's people's congress standing committee said that more than 30 local laws and administrative regulations were issued last year.

He said that so far this year 13 local laws have been submitted to the people's congress for ratification. Nine of them are connected with the economy, such as the law on land hire and transfer, environmental protection law and regulations for management of water resources, he added.

He said that laws and regulations dealing with education, labor and urban construction have also been submitted to the congress.

## **NORTHEAST REGION**

### **Liaoning Policemen Do Good Deeds 'To Learn From Lei Feng'**

*HK2103114589 Beijing RENMIN GONGAN BAO  
in Chinese 10 Mar 89 p 1*

[Report by Liu Yining 0491 0001 1337 and Li Xiaogang 2621 2556 0474: "3,000 Policemen in Fushun City Take to the Street To Learn from Lei Feng"]

[Text] On 5 March, more than 3,000 police officers and policemen of the Public Security Bureau of Fushun City of Liaoning Province took to the street to carry out activities to learn from Lei Feng.

Fushun City is a place where Lei Feng once worked. On 5 March, more than 3,000 police officers and policemen in Fushun City took to the street to actively maintain public order and public security in public places and went to the residents' homes to help the residents install safety locks and complete their residence registrations. Some police officers and policemen went to various schools and factories to give reports on the situation concerning public security in Fushun City and carry out propaganda on the legal system. Some police officers and policemen even did haircutting and repaired bicycles for the local people and provided legal consultations to the local people free of charge.

According to incomplete statistics, the public security organs of Fushun City did a total of over 15,900 good things for the masses, received more than 500 commendatory letters from the masses, and were highly praised by a lot of local units for what they had done.

**State Council Official Fetes Taiwan Reporters**  
*OW2203003089 Beijing XINHUA in English*  
*1425 GMT 21 Mar 89*

[Text] Beijing, March 21 (XINHUA)—Ding Guangen, director of the Taiwan Affairs Office of the State Council feted some of the Taiwan reporters in the Great Hall of the People here this evening.

The entertained Taiwan reporters are here to cover the current sessions of the National People's Congress and the Chinese People's Political Consultative Conference.

Ding expressed his sincere hope that the coverage of Taiwan reporters will help remove the mental barriers between the mainland and Taiwan, promoting mutual understanding and trust for the sake of the reunification of the motherland.

The reporters present at the dinner included those from the CHINA TIMES, THE INDEPENDENCE EVENING POST, UNITED DAILY NEWS, TAIWAN TIMES, COMMERCIAL TIMES, and the business weekly COMMONWEALTH.